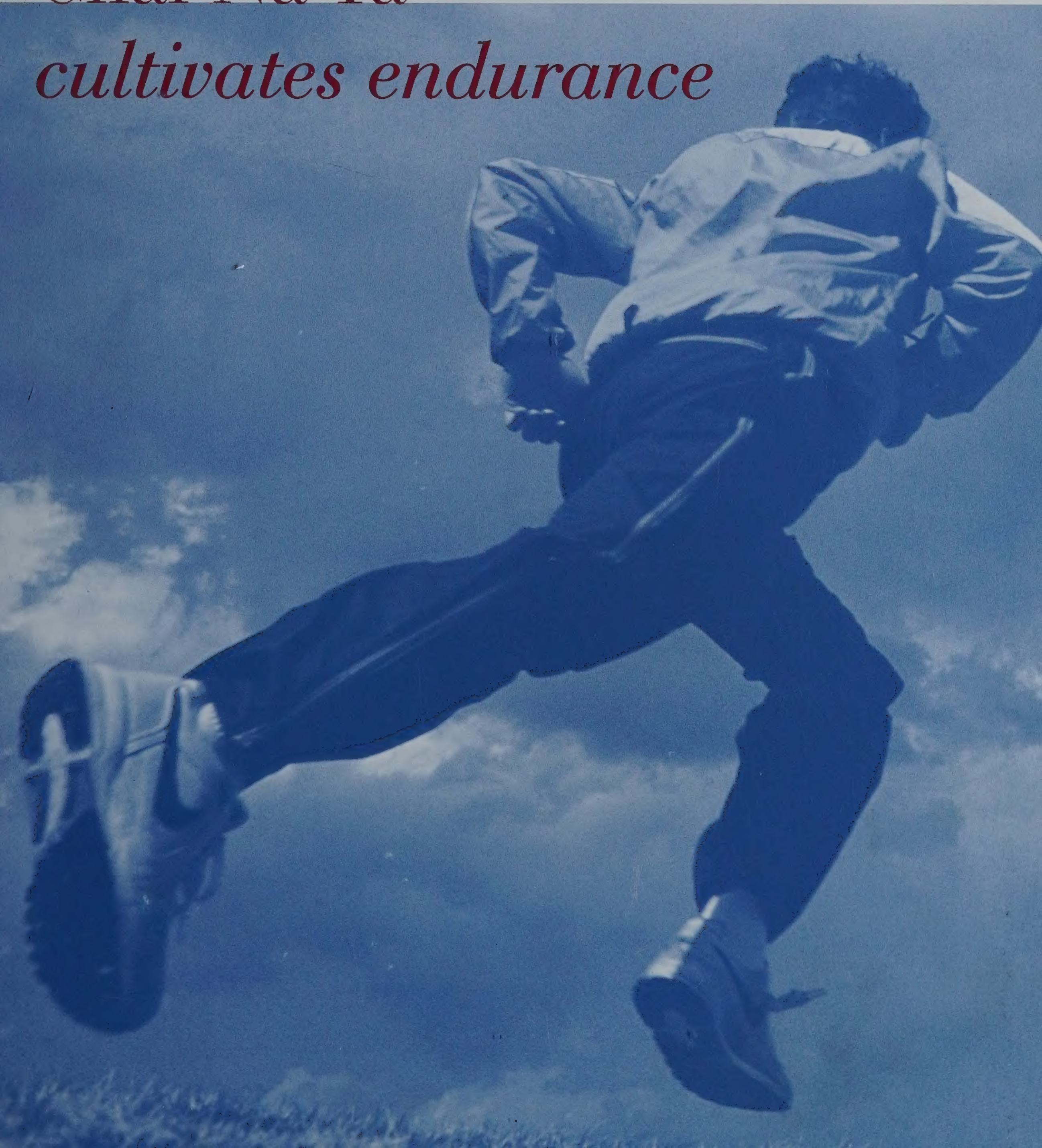
ANNUAL REPORT 1997

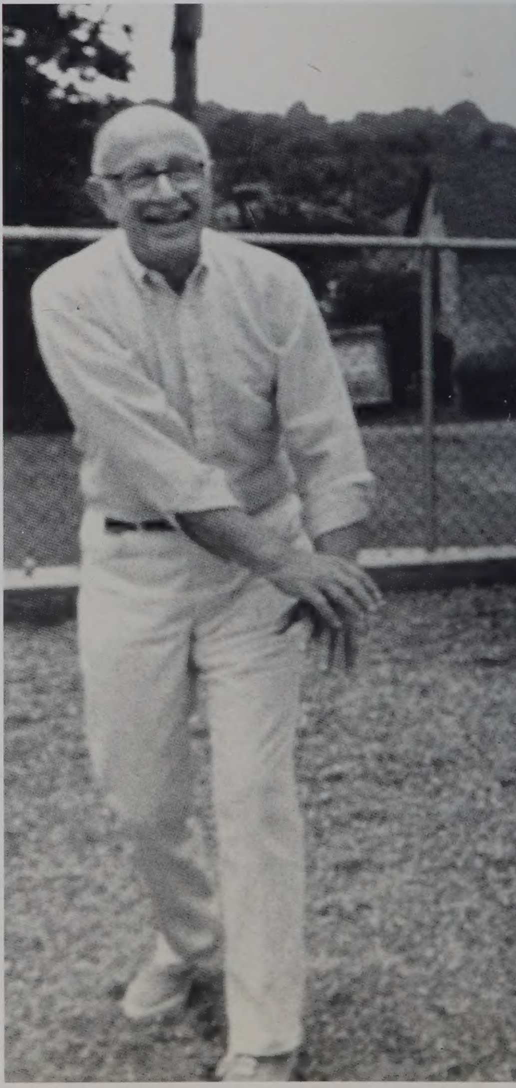
Chai-Na-Ta *cultivates endurance*



Chai-Na-Ta's record of proven performance

Chai-Na-Ta has demonstrated its leadership with a number of industry firsts: it was the first company to pioneer the cultivation of North American ginseng in British Columbia, the first to become a commercial grower and the first to harvest over a hundred acres in a single year. Leading the move into global markets, Chai-Na-Ta was the first company to take North American ginseng into China through a joint venture, the first to market North American ginseng in Mexico, and the first to develop a broad line of value-added products for the North American market.

PERFORMANCE



CONTENTS

CORPORATE PROFILE

Chai-Na-Ta Corp. is a world leader in the ginseng industry. The Company produces, markets and distributes North American ginseng and value-added products in growing markets worldwide. With operations based in Canada, the United States, Mexico, Barbados, Hong Kong, and China, Chai-Na-Ta has established an international presence. Through its strategic alliances and participation in scientific studies on the therapeutic properties of its products, the Company is leading the industry in developing global markets for North American ginseng.

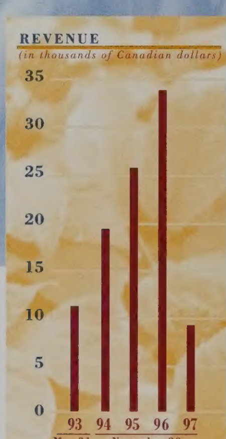
As a vertically integrated organization, Chai-Na-Ta has the expertise and the resources at all levels of its operations, from farming through to marketing and distribution, that are essential to long-term growth. In an industry where product integrity is a key issue, the Company's "farm to consumer" approach ensures the highest level of product authenticity.

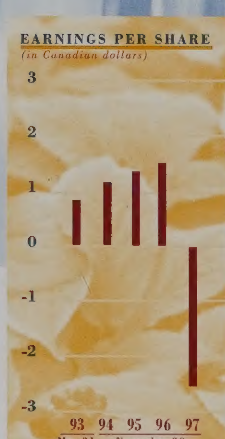
AN INDUSTRY IN TRANSITION

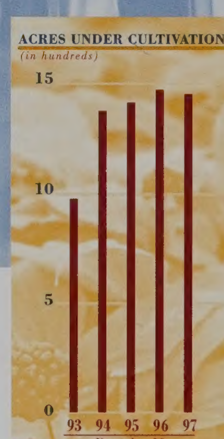
FINANCIAL RESULTS	1997	1996
(Stated in thousands of Canadian dollars)	$	$
Revenue	9,053	34,430
Pre-tax earnings (loss)	(15,339)	9,163
Net earnings (loss)	(10,636)	6,104
Cash applied to operations	(5,607)	(2,805)

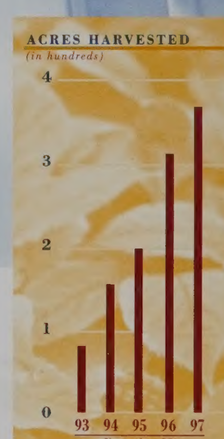
FINANCIAL POSITION	1997	1996
(Stated in thousands of Canadian dollars)		
Working capital	19,357	39,970
Shareholders' equity	28,358	38,513
Total assets	74,234	84,965

PER SHARE AMOUNTS	1997	1996
(Stated in Canadian dollars)		
Earnings (loss) per share - basic	(2.64)	1.53
Earnings (loss) per share - fully diluted	(2.64)	1.26
Cash applied to operations	(1.39)	(0.70)
Book value per share	7.05	9.67









Chai-Na-Ta's financial performance in fiscal 1997 reflects major changes in market conditions and a shift in the Company's sales strategy.

Chai-Na-Ta has established an outstanding record of growth and profitability since it began the commercial production of North American ginseng in 1981. The Company leads the industry in production and sales and has developed the core capabilities that give it the "root strength" to endure such challenging market conditions as those experienced in fiscal 1997.

This has been a difficult year for all North American ginseng producers. Chai-Na-Ta has taken the lead in making changes and pursuing opportunities that will strengthen the Company's position and have positive effects throughout the industry.

In 1997, we focused on maximizing our existing programs.

Q. What issues affected Chai-Na-Ta's financial performance in fiscal 1997?
A. A combination of events affected the entire industry. First of all, there was a significant shift in the traditional buying pattern, which was in part the result of a major disruption in the Hong Kong distribution network. Bad weather was another critical factor. Wet conditions delayed the start of the 1996 harvest until mid-October, which dramatically reduced the time for processing and selling. Because of the compressed time period, there was less product available for the Chinese New Year in January of 1997, which was the peak period of demand. At the same time, because of the financial impact of changes in the distribution network, the buyers' purchasing power decreased substantially.

Gerry A. Gill
President, CEO

The wet harvest conditions also resulted in product quality problems that became evident in mid fiscal '97. In response to the quality issue, Chai-Na-Ta took measures to compensate our buyers, making price reductions and taking product back for resale.

The combined effect of these events led to a realized price drop of about $20 per pound from 1995 prices. With every $1 per pound representing more than $600,000 in profit potential, the negative impact was substantial and is reflected in a loss of approximately $10.6 million, the Company's first full fiscal year loss in ten years.

A GROWING DEMAND FOR VALUE-ADDED PRODUCTS

As a result of the poor market conditions, in 1997 the Company undertook a significant change in sales strategy, and deferred sales of its fall harvest into the following year. This resulted in a temporary decline in sales volume and profitability.

Despite these challenges, the Company remains poised for recovery in 1998, with a good quality inventory, low cost of production, and promising distribution opportunities.

Q. In the face of these difficult market conditions, what was Chai-Na-Ta's focus in 1997?
A. Within the Company, we focused closely on reducing expenditures and maximizing our existing programs with the resources we had. That has enabled us to better control our programs and make sure that they are all operating according to our business plan. We have cut planned expenditures dramatically and will continue with our cost control program during fiscal '98. Over the year, we also strengthened our focus on product quality. Although the quality issue was largely the result of poor harvest conditions, we took the opportunity to make improvements in our post-harvest processes, and are now better prepared to handle product in large volumes, under a variety of harvest scenarios.

Our primary focus has been and continues to be on the Company's long-term health. We made some tough decisions in fiscal '97 that in the long run will strengthen Chai-Na-Ta and will also benefit the North American ginseng industry.

Q. What is Chai-Na-Ta's role in the developments that are taking place in the industry?
A. This is an industry in transition, and Chai-Na-Ta has taken the lead in initiating some important changes. Our decision to hold back product in the fourth quarter of fiscal '97 has had the most significant impact, in terms of the Company's financial results and operations, as well as having important implications for the industry.

In the past, we have sold up to 90% of our bulk root in the fourth quarter, and our financial performance has reflected this pattern by showing strong results in the final quarter of the fiscal year. This year, in response to the price drop, we decided to hold product in inventory beyond the traditional November 30th cut-off date. By holding back product, we are sending a strong message to both growers and buyers. We are confident that the market will recover and are already seeing indications that prices are beginning to firm up from earlier levels.

The longer sales period supports another important industry trend: the growing interest in value-added products. In China and Southeast Asia, for example, the demand for value-added processed product rather than unprocessed root is growing rapidly. By holding product, we can increase

We are continually looking at how we can supply other distributors or manufacturers, including private label customers.

our value-added processing activities to supply this expanding market.

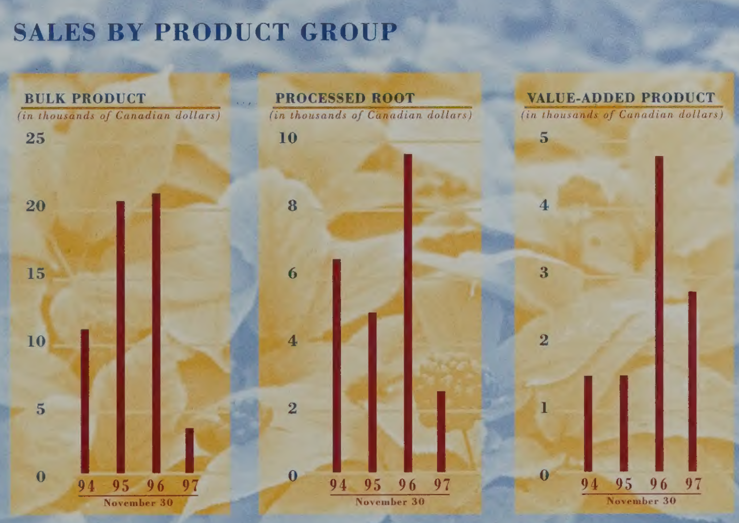
Better communication within the industry is another important development. We have been actively communicating with growers in Wisconsin, Ontario and British Columbia, so that we have a more accurate picture of the volume and quality of production. Information sharing is relatively new in our industry and is having a positive effect in that it provides a solid base for making sound decisions on pricing and selling.

Q. What other changes are affecting the industry?
A. In less than a decade, the industry has more than doubled, with production increasing from approximately 2 1/2 million pounds a year to 5 1/2 million pounds. The buyers, on the other hand, have become less powerful. In the past, a small group of buyers controlled 80% of the market. Today, they control only 20 to 25%.

Again, Chai-Na-Ta is taking the lead in changing traditional market patterns by selling directly to wholesalers, retailers and grading houses through our Hong Kong operation. This strategy will enable us to secure better prices as the market strengthens, and in the long term, will broaden our base of distribution.

Further changes are anticipated when the tariff rate on North American ginseng imported into China is reduced. Chai-Na-Ta has been actively lobbying on the industry's behalf in this area. The tariff is expected to come down before China enters the World Trade Organization in the next couple of years.

Q. What were the Company's major achievements of the year?
A. Chai-Na-Ta came through a very difficult period for the industry relatively unhurt. The fact that we were able to maintain our operations, working with reduced operating capital, is a considerable accomplishment and demonstrates the outstanding level of commitment that we have in this Company.



During fiscal 1997, Chai-Na-Ta elected to hold product in inventory for processing and sale the following year.

WORKING FROM A POSITION OF STRENGTH

During fiscal '97, we maintained our relationships with the buyers and rebuilt our reputation for quality. And we are still on track in terms of our vertical integration program. We are not moving as quickly as we had planned because of capital constraints, but we are actively investigating opportunities for mergers or acquisitions that can strengthen our distribution capabilities. We are continually looking at how we can supply other distributors or manufacturers, including private label customers.

Q. What is CNT 2000 and what role will it play in Chai-Na-Ta's future?
A. CNT 2000 is a standardized version of North American ginseng extract which has huge potential for our Company.

Standardization represents a key competitive advantage because only standardized extract can be used in scientific research. Currently, CNT 2000 is being tested in a number of studies which are showing positive results in terms of the product's therapeutic effects. These results will confirm the health-enhancing properties of North American ginseng and support our product claims. The benefits associated with North American ginseng appeal to a broad range of consumers. The ability to help reduce stress, strengthen the immune system and relieve the symptoms of menopause are just a few of the qualities attributed to North American ginseng. Chai-Na-Ta is taking the lead with CNT 2000 so that we can pursue opportunities to supply standardized extract for a variety of health-related applications in addition to our own natural supplement product line. We believe that CNT 2000 has the potential to dramatically alter the supply and demand dynamics of the traditional market for North American ginseng.

Q. What, in your view, are the Company's strengths?
A. We have become the world's largest supplier of North American ginseng by building strong core capabilities based on efficient, low-cost farm operations and a thorough understanding of market dynamics.

Excellent working relationships within the industry also contribute to our "root strength." We have solid relationships with our customers, suppliers, distributors, joint venture partners, government regulatory organizations, and with other growers through our work in The Association of Ginseng Growers (TAGG). We are also active partners in research studies currently being conducted by leaders in the scientific and medical communities.

Our record of proven performance shows that this Company can deliver. We pioneered the cultivation of ginseng in British Columbia and established the largest commercial farming operation, becoming the first in the industry to harvest over a hundred acres. Chai-Na-Ta was the first company to take North American ginseng into China through a joint

I believe that we have a foundation for growth today that's stronger than ever.

venture program, the first to market North American ginseng in Mexico, the first to develop a broad line of value-added ginseng products for the North American market, and the first to initiate scientific studies on the products' benefits. We are working from a position of strength because we are clearly a world leader in our industry.

Q. Where do you see the potential for growth in the future?
A. We believe that the future of the industry and the future of our company rests on our ability to develop value-added products for a growing market with tremendous interest in natural supplements. In North America alone, the natural supplements market has been growing at a rate of over 25% a year for the last ten years, and it is expected to continue this increase for the next decade. Economic growth is also influencing the market in China, where we are seeing an increasing preference for convenient, value-added ginseng-based products rather than traditional graded root.

Q. What is the outlook for Chai-Na-Ta in fiscal 1998?
A. The cost reduction program is continuing into fiscal '98. Our target is to further reduce expenditures and initiate policies that will ensure that we can function effectively with the financial resources that we have today in the event that poor market conditions persist. The outlook for 1998 is more positive, with Chai-Na-Ta's '98 production expected to increase while production within the industry is expected to generally decline. This will put the Company in a strong control position.

We are continuing to move forward. Our farming operations are expected to have another record harvest in terms of production and quality, and our programs in China and Mexico are going to grow in 1998. We are continuing with our work on the Unique Formulations product line and are investigating opportunities to supply product for the private label market. I believe that we have a foundation for growth today that's stronger than ever.

G Gill

Gerry A. Gill
President & CEO
February 23, 1998

MEASURABLE PROGRESS

Ginseng's reputation as a powerful therapeutic herb is based on thousands of years of use in Chinese medicine. Traditionally called "the elixir of life," its Latin root "panax" derives from the Greek, "panakos: a remedy for all ills." Users confirm that ginseng improves their physical and mental well-being with claims that it can, among other things, boost energy, reduce stress and improve short-term memory.

Today, researchers are finding scientific evidence of these health-enhancing qualities by studying the chemical properties of CNT 2000, a standardized extract of North American ginseng developed by Chai-Na-Ta. Through standardization and scientific research, the full potential of North American ginseng is being realized, bringing its benefits to health-conscious consumers around the world.

THE SOURCE OF WELL-BEING

Ginsenosides — the main active ingredients of the ginseng plant — are the source of ginseng's health-enhancing properties. Scientists have identified more than 30 ginsenosides which have been linked with different types of activities. The R_0 ginsenoside, for example, has an anti-inflammatory effect and Rh_2 has been shown to inhibit the growth of cancer cells. The proportion of specific ginsenosides in any ginseng product depends upon the species of ginseng, its conditions of growth and method of processing.

The most commercially important species of ginseng are Asian (Panax ginseng C.A. Meyer), found in the mountainous forests of eastern Asia, and North American (Panax quinquefolius L.), a plant native to North America. North American ginseng was discovered in Quebec in 1716 and has been cultivated in Canada and the United States for the past 100 years.

GINSENG CHARACTERISTICS

North American *Panax quinquefolius L.*	**Asian** *Panax ginseng C.A. Meyer*
Benefits:	**Benefits:**
• reduces stress	• boosts energy
• enhances memory	• enhances protein metabolism
• antioxidant	• antioxidant
• increases stamina	• regulates blood sugar
• reduces effects of menopause	• protects against radiation
• strengthens the immune system	• strengthens the immune system
Side Effects:	**Side Effects:**
• none known	• itching
	• headache
	• dizziness
	• hypertension
	• hemorrhaging
	• insomnia

TESTING CHAI-NA-TA

ENDURANCE

North American and Asian ginseng are generally similar in chemical composition. The principal difference is that the Asian variety contains more of the Rg_1 ginsenoside, which stimulates the central nervous system, while the North American variety is higher in Rb_1, known for its calming, stamina-enhancing effects. Asian ginseng is not recommended for people who suffer from stress or high blood pressure. North American ginseng, however, is almost unrestricted in its use, and as a result, has a potentially broader market appeal.

STANDARDIZATION: THE BASIS FOR STUDY

The ability to measure and standardize the active ingredients in North American ginseng represents a significant advance for the industry. With CNT 2000, Chai-Na-Ta has developed a standardized version of North American ginseng extract that can be used as a basis for conducting scientific research. Currently, CNT 2000 is being tested in a number of studies structured around the most common health concerns in North America, i.e., cancer, heart disease, stress, diabetes and aging. The results of these studies will provide documented evidence of North American ginseng's specific health-enhancing effects.

PROMISING RESULTS

The use of CNT 2000 to fight cancer has shown positive results in a study conducted by Beth Israel, a teaching hospital associated with the Harvard Medical School. Early results indicate that North American ginseng can inhibit the growth of cancer cells, and when used in combination with other cancer-fighting drugs, increases the effectiveness of these drugs.

At the University of British Columbia, researchers are investigating North American ginseng's antioxidant properties. The study has provided evidence of some preservative activity, suggesting that standardized extract could be used as a natural food preservative. Other research has shown potential benefits in improving short-term memory and protecting against brain deterioration associated with Alzheimer's Disease.

In 1998, work will begin on a study testing the use of CNT 2000 in the prevention and treatment of diabetes and cardiovascular disease. Research has already indicated that one of ginseng's most important advantages is its ability to increase the body's capacity to use oxygen, showing an improvement in oxygen intake of up to 29 percent.

MOVING INTO MAINSTREAM MARKETS

The results of these studies point to a wide range of potential applications, from use in dietary supplements to pharmaceuticals.

Standardization is the key to bringing North American ginseng into the mainstream. The results of tests on a standardized product can be used to increase public awareness of the benefits of North American ginseng and to support product claims. Most importantly, a standardized product provides assurance of product potency and quality. This constitutes an important competitive advantage for Chai-Na-Ta's natural supplement product line and can open opportunities to supply standardized extract to manufacturers of many other health-related products.

LOW-COST OPERATIONS

Chai-Na-Ta's low-cost, efficient farming operations form the foundation of the Company's long-term success as the world's largest supplier of North American ginseng. Chai-Na-Ta Farms consist of approximately 1,500 acres of farmland under cultivation in Ontario and British Columbia, with a combined production of more than 800,000 pounds of root every year.

North American ginseng is a unique plant which calls for expert handling. Thoughout the growth cycle, which may extend from three to five years, careful nurturing and crop management are required to maintain optimum moisture, light and shade conditions. Harvesting and processing procedures, including washing and drying, are also essential to the quality of the root. In more than 15 years of farming, Chai-Na-Ta has developed the plant science expertise and techniques to support steady growth in the production of different sizes, shapes and grades of high-quality root.

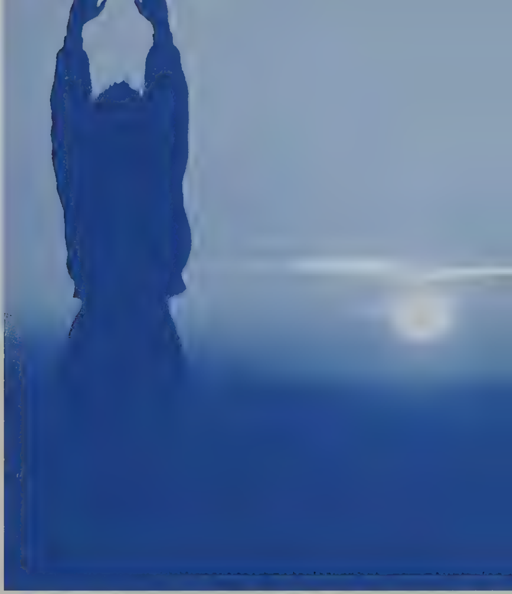
NORTH AMERICAN FARMS

Year ended November 30	1997	1996
Revenue	$ 2,329,502	$ 20,851,177
Net earnings (loss)	(4,751,937)	3,393,078
Total assets	66,279,082	70,373,577
Gross margin	21%	46%

The change in the Company's sales strategy had a significant effect on 1997 operating results.

OPERATING RESULTS

The 1997 harvest saw improvements in production, yield and quality over the previous year. In 1997, we harvested 369 acres of North American ginseng, producing 829,000 pounds of root. This represents a 25% increase over the 1996 harvest of 665,000 pounds. Yield per acre



was 2,240 pounds, slightly higher than the previous year. In addition to the increased yield, the quality of the root harvested in 1997 improved considerably over the 1996 harvest, which was adversely affected by wet weather. The 1997 harvest included some five year root, as well as root in a variety of sizes and shapes to supply market demand.

Our farms in Ontario and British Columbia are continuing to cultivate other herbs for sale and for use in our natural supplement products. In 1997, echinacea was harvested at our farms in Ontario and British Columbia, and during the year we sold 900 pounds of echinacea harvested in 1996. We are continuing to grow echinacea in Ontario and British Columbia.

QUALITY PROCESS IMPROVEMENTS

In the past four years, production has more than doubled, growing from 155 acres in 1994 to 369 acres in 1997. As part of our continuing efforts to improve our farming techniques, we installed new wash line equipment and increased our drying capacity. We are now better prepared to handle large volumes of root during harvesting.

PARTICIPATION IN TAGG

In recent years, Chai-Na-Ta has taken an active role in promoting the North American ginseng industry through its involvement in The Association of Ginseng Growers (TAGG). Working together, ginseng farmers from Ontario and British Columbia have developed a national action plan aimed at setting industry standards and establishing a resource base for implementing a national marketing strategy for North American ginseng.

One of TAGG's most important achievements has been to open the lines of communication among farmers from East to West. By sharing information on production statistics, growers are better equipped to make pricing and selling decisions.

OUTLOOK

In 1997, we planted 354 acres on our Ontario and British Columbia farms, and in 1998 we expect to plant replacement acreage for the area that we harvest. For 1998, our farming operations will focus on maintaining the current level of production, while increasing yield per acre and continuing to reduce operating costs.

The continuing success of our farming operations is based on our sophisticated, environmentally friendly farming practices and the efforts of a dedicated team of plant scientists and farm staff.

VALUE-ADDED PRODUCTS

NORTH AMERICAN VALUE-ADDED

Year ended November 30	1997	1996
Revenue	$ 1,016,563	$ 2,671,624
Net earnings (loss)	(1,239,730)	(271,536)
Total assets	2,320,288	2,014,345
Gross margin	15%	26%

1997 results reflect a decline in private label sales, limited operating budgets, and start-up costs for Chai-Na-Ta Mexico.

Chai-Na-Ta's strategy for continuing growth is modelled on vertical integration, with the capabilities to control each stage of the process from supply through to marketing the finished product. Vertical integration provides a key competitive advantage for the Company, particularly in North America where consumers are looking for assurance of product integrity.

UNIQUE FORMULATIONS

Unique Formulations, Inc., based in Portland, Oregon, represents an important component of our vertical integration strategy. By acquiring 90% ownership of Unique Formulations in 1995, Chai-Na-Ta gained the capabilities to participate in the North American market with a line of value-added products based on North American ginseng and other high-quality natural and herbal ingredients.

Value-added products, which add to bulk root margins, represent a substantial source of potential revenue, particularly in North America where herbal product sales are growing at a rate of over 25% a year. Ginseng is reported to be the third most popular herb in North America, and the retail market for ginseng alone is estimated at over $300 million annually. The Unique Formulations product line consists of 13 products formulated specifically for the health food market and 24 products directed at broader markets.

OPERATING RESULTS

For fiscal 1997, sales of Unique Formulations value-added products amounted to US $723,000, decreasing from US $1.6 million in fiscal 1996. These results reflect a reduction in private label sales as well as the limited operating budgets of 1997.

During the year, we strengthened our focus on building relationships with our North American distributors and developed an education program regarding the distinct benefits of natural supplements based on North American ginseng. We are stressing the use of North American ginseng as a daily supplement that can effectively "prevent" rather than "cure" illness. Product integrity is another key benefit associated with our products. Our Unique Formulations products are double-sanitized and are 100% natural, with no fillers or additives of any kind. During fiscal 1997, we also conducted market research and focus group testing that will form the basis of our long-term marketing strategy.

OUTLOOK

In 1998, we will continue to develop our capabilities for marketing and distributing value-added products in North America. We are evaluating the Unique Formulations product line with a view to developing new product formulations, and will proceed with our consumer research program. In addition, we are actively pursuing strategic alliances to strengthen our distribution capabilities in key markets and are investigating opportunities to supply product for other manufacturers to be distributed under private labels.

CHAI-NA-TA MEXICO

Mexico, with its long history of using herbal products, represents a market of considerable potential for Chai-Na-Ta. The Company's office in Mexico City provides access to a large population that values herbal products.

OPERATING RESULTS

We successfully test marketed North American ginseng tablets and multivitamins in Mexico City in November 1996. After establishing relationships with four main distributors in Mexico City, we conducted an aggressive campaign to promote public awareness of our products which included in-store promotions and extensive media coverage through popular radio and television programs.

In the late spring of 1997, following six months of very positive trials, we received permission to remove the restrictive guidelines for use from the product labels. These restrictions had been imposed by the Mexican government based on the chemical profile of Asian ginseng. Existing products were taken off the market to be relabeled, and based on the results of the earlier product trials, we developed a national launch which took place in December 1997.

OUTLOOK

Chai-Na-Ta is well positioned to pursue opportunities in Mexico where we have already created a high level of interest in our products. Since the product relaunch, sales have been steady and are expected to grow.

Controlling the process from supply through to marketing the finished product ensures product integrity — a key competitive advantage for Chai-Na-Ta.

EXPANDING MARKETS

Shifts in the traditional distribution network and the growing demand for more convenient, value-added products are changing the market dynamics in Asia. Chai-Na-Ta (Asia) Ltd. (CNTA) is well positioned to address the evolving needs of the Asian market through its subsidiary companies, which provide distribution, processing and manufacturing capabilities.

Through North American Ginseng Enterprises Limited (NAGEL), Chai-Na-Ta brokers ginseng root supplied by its North American farming operations. The Wuxi Zhong Jia American Ginseng Natural Tonics Ltd. (Wuxi) facility processes bulk root and manufactures value-added products based on North American ginseng. CNTA is also responsible for marketing and distributing all value-added products in Southeast Asia.

FINANCIAL RESULTS – SOUTHEAST ASIA

Year ended November 30	1997	1996
Revenue	$ 8,229,155	$ 31,828,315
Net earnings (loss)	(5,246,026)	1,770,824
Total assets	14,040,092	31,093,996
Gross margin	3%	14%

1997 results were impacted by lower root prices and a decline in sales volume as product was held back for processing.

OPERATING RESULTS

In 1997, more than 340,000 pounds of North American ginseng root were sold through CNTA, with revenues totalling $8.2 million. During the year, CNTA focused on strengthening the distribution program in Southeast Asia and relationships with our joint venture partners.

The Wuxi facility has become a highly effective operation for Chai-Na-Ta, processing 100,000 pounds of North American ginseng in 1997, an increase of 14% over fiscal 1996. During fiscal 1997, organizational changes were made to support the facility's continuing growth.

The capability to supply prepared North American ginseng-based products in Asia is a key component in Chai-Na-Ta's long-term business strategy. Rising living standards, particularly in China, have made ginseng much more affordable and have generated increasing interest in these convenient, value-added products. Product integrity - the assurance that Chai-Na-Ta's products contain 100% North American ginseng - provides a significant competitive advantage in this market.

In 1997, we continued to make progress with our Dalian program, which was initiated in April, 1995. Dalian has completed the construction of a GMP standard manufacturing facility, developed products and obtained licences for high-end pharmaceutical products based on North American ginseng.

OUTLOOK

The success of Chai-Na-Ta's Asian operations is based on a thorough understanding of the market and the culture, as well as alliances with strategic partners for marketing and distributing our products. Mark Rowswell, Chai-Na-Ta's spokesperson and one of China's most popular comedians, has helped to build an image of wholesomeness and integrity for the Company's products. Rowswell's character "Dashan" appeals to a tremendous section of the Chinese population, and will continue to help promote Chai-Na-Ta's products.

The China National Pharmaceutical Corporation (CNPC), a major trading company owned by the government of China with the mandate to import and distribute pharmaceutical and medicinal products, is also expected to assist in the growth of our China operations. CNPC will help to import and distribute Unique Formulations products from North America.

Continuing market growth is expected in China and Southeast Asia. As resources become available, CNTA will continue to expand marketing and distribution activities in the region.

Rising living standards have generated growing interest in value-added products based on North American ginseng.

SIX-YEAR SUMMARY OF OPERATING RESULTS

(Stated in Thousands of Canadian Dollars Except Acres and Per Share Amounts)

	Year Ended Nov. 30				Six Months Ended Nov. 30	Year Ended May 31	
	1997	1996	1995	1994	1993	1993	1992
Revenue	**$ 9,053**	$ 34,430	$ 25,878	$ 19,085	$ 2,098	$ 10,469	$ 7,942
Gross Profit	**851**	15,989	13,374	9,719	(210)	6,223	5,538
Pretax Earnings (Loss)	**(15,339)**	9,163	8,123	5,917	(2,313)	4,086	3,586
Net Earnings (Loss)	**(10,636)**	6,104	5,023	4,156	(1,528)	3,085	2,006
Basic Earnings (Loss) Per Share	**(2.64)**	1.53	1.32	1.11	(0.42)	0.88	0.65
Stock Dividends Paid Per Share	**2.50%**	2.50%	-	1.67%	-	2.50%	2.50%
Ginseng Crops	**$ 27,145**	$ 25,455	$ 24,229	$ 19,702	$ 14,630	$ 13,942	$ 10.695
Total Assets	**74,234**	84,965	69,926	58,197	40,857	30,337	20,460
Shareholders' Equity	**28,358**	38,513	29,758	24,341	18,349	17,824	13,611
Return on Average Equity	**N/A**	17.9%	18.6%	19.5%	N/A	19.6%	18.3%
Acres under Cultivation	**1,455**	1,470	1,410	1,386	991	763	542

Following is management's commentary on the results of operations, financial position and liquidity of the Chai-Na-Ta Group of companies, together with our general expectation of results for the future. Except for historical information contained herein, the matters discussed in this analysis may include forward-looking statements that involve risks and uncertainties that may cause actual results to differ. Important factors which may cause results to differ include general economic conditions, North American ginseng prices, harvest schedules, and other risks detailed later in this discussion.

During 1997 Chai-Na-Ta faced significant new industry challenges, including further North American ginseng price erosion. In addition, earnings were effected by product quality claims relating to the 1996 harvest, which resulted in sales contract cancellations and a one-time charge to earnings for contract losses. In response to lower prices for bulk North American ginseng, Chai-Na-Ta altered its selling pattern and developed new sales strategies designed to take seasonal pressure off the market for bulk North American ginseng. The impact of these events substantially reduced revenues from prior years' levels and resulted in a net operating loss for the year. This is the first full fiscal year loss the Company has experienced in its last ten years of operations, and it is not expected to be indicative of future results.

RESULTS OF OPERATIONS *(Stated in thousands of Canadian Dollars)* Years ended November 30	1997	1996	1995	% Change 1997	% Change 1996
Revenue	$ 9,053	$ 34,430	$ 25,878	-73.7%	33.0%
Costs of goods sold	8,202	18,441	12,504	-55.5 %	47.5%
Gross margin	851	15,989	13,374	-94.7 %	19.6%
Selling, general & administration expenses	7,868	5,787	4,211	36.0 %	37.4%
Bad debts	586	213	-	175.1 %	N/A
Interest and financing charges	1,237	746	810	65.8%	-7.9%
Loss on sales contracts	7,326	-	-		
Operating income (loss)	16,166	9,243	8,353	-274.9 %	10.7%
Other income	307	109	74	181.7 %	47.3%
Equity loss of Unique Formulations, Inc.	-	-	(147)		
Non-controlling interests	520	(189)	(157)	-375.1%	20.4%
Earnings (loss) before income taxes	(15,339)	9,163	8,123	-267.4%	12.8%
Provision for income taxes (recovery)	(4,703)	3,059	3,100	-253.7%	-1.3%
Net earnings (loss)	$ (10,636)	$ 6,104	$ 5,023	-274.2%	21.5%

Revenues in 1997 decreased by 73.7% as a result of a decline in root volume sold, lower root prices, and reduced value-added product sales.

REVENUE BY CATEGORY *(Stated in thousands of Canadian Dollars)* Years ended November 30	1997	1996	1995	% Change 1997	% Change 1996
Unprocessed bulk root	$ 3,683	$ 20,070	$ 20,058	-81.6%	0.1%
Graded root	2,558	9,640	4,397	-73.5%	119.2%
Processed consumer products	2,812	4,720	1,423	-40.4%	231.7%
	$ 9,053	$ 34,430	$ 25,878	-73.7%	33.0%

Root volume declined due to a change in sales strategy. In prior years a substantial portion of the fall harvest was sold in the fourth quarter immediately following harvest and before the fiscal year-end. In 1996, approximately 90% of the harvest was sold in this manner. As a consequence, only a small portion of the harvest remained for sale in the first three quarters of fiscal 1997. The carry-over of inventory from 1996 was approximately 65,000 pounds, as compared to a carry-over of more than 200,000 pounds from 1995. The Company believes that this fourth quarter sales pattern contributed to pricing pressure in the market, particularly as increasing acreage was being harvested by Chai-Na-Ta each year. Consequently, management decided to discontinue the practice of heavy volume selling in the fourth quarter, and instead carried over the 1997 harvest to the 1998 fiscal year for sale over the following twelve months. In addition to reducing volume pressure on the market, this strategy also gives the Company the opportunity to process more of its harvest into graded root and value-added products. As a consequence, sales volume is expected to increase substantially in 1998 from 1997. Volume in future years will also benefit from increasing harvests.

ROOT SALES VOLUME IN POUNDS				% Change	
Years ended November 30	1997	1996	1995	1997	1996
Chai-Na-Ta Farms harvest	38,858	825,740	528,098	-95.3%	56.4%
Purchased from other growers	28,227	88,010	69,288	-67.9%	27.0%
Resold from cancelled sales contracts	274,347	-	-		
	341,432	913,750	597,386	-62.6%	53.0%

The average realized root price declined by 40% in 1997 to an average price of approximately $20 per pound. The Company attributes this decline to three main factors: lower harvest quality in the industry, lower quality for the Company's 1996 harvest, and restructuring of the traditional Asian distribution network. Industry quality was affected by an unusually wet growing season in 1996, as well as wet conditions during the harvest period. The Company's harvest was similarly affected, resulting in root quality which was lower than that achieved in prior years. Root quality was also effected by harvest processing problems created by the abnormally wet weather. In addition, the main distribution channels to Asia continued to evolve as some of the traditional large buyers became less active market participants, while smaller, less well capitalized buyers became increasingly prevalent. During the year, a major Hong Kong based distributor went into bankruptcy, impacting several buyers in Hong Kong. These factors together added to pricing instability.

While industry-wide prices have fallen for several years, there are indications that prices could recover in future periods. Production, which has almost doubled over the last five years, stabilized in 1997 at approximately 5.5 million pounds. In addition, many growers have decreased or leveled out their new acreage planted in the last few years. Chai-Na-Ta has also followed this trend, planting only 354 acres in 1997. Although the Company's 1997 harvest was the largest in the industry at approximately 15% of the total production, the Company is affected by the world price. While Chai-Na-Ta's cost of production remains less than current mar-

ket prices, industry sources estimate that the average growers' cost of production is approximately $25 per pound. Since most growers are currently producing at costs above current market prices, production is expected to continue to fall as less efficient growers exit the industry. In addition, the Asian distribution network continues to develop following the disruptions that occurred in 1997. One of the major impediments to the efficient distribution of North American ginseng is the 45% import tariff rate imposed by China, the leading consuming region. The industry is actively lobbying governments to reduce this trade barrier. The Company expects that tariff reductions will occur in the next few years if China is successful in its efforts to join the World Trade Organization. Consumer demand continues to show strength as all root of acceptable quality has consistently sold out between harvests.

Value-added product sales decreased in 1997 due to the lower root volume available for sale, weaker prices, and sales program reductions resulting from funding constraints during the year. Unique Formulations was also affected by a reduction in private label volume by a major customer. Efforts are being made to replace this volume with other products and/or customers in 1998. After initial test marketing in Mexico City in 1996, Chai-Na-Ta Mexico suspended sales in 1997 at the direction of the Mexican government, in order to revise its packaging to incorporate functional claims statements which had been approved for the first time for North American ginseng. While the division revamped its packaging, it prepared for a national product re-launch. Sales recommenced in December 1997, and are expected to grow significantly in 1998. Sales of value-added products were de-emphasized at the Wuxi joint venture in 1997 due to the limitations of funding for advertising support. The highly competitive nature of the Chinese market requires a significant investment in marketing support for product branding. The Company has elected in the short term to focus on graded root distribution until funds are available for further market development.

VALUE-ADDED PRODUCT REVENUE
(Stated in thousands of Canadian Dollars)

Years ended November 30	1997	1996	1995	% Change 1997	% Change 1996
Unique Formulations, Inc.	$ 998	$ 2,234	$ -	-55.3%	N/A
Chai-Na-Ta Mexico	18	438	-	-95.9%	N/A
Wuxi Zhong Jia American Ginseng Natural Tonics Co. Ltd.	1,796	2,048	1,423	-12.3%	43.9%
	$ 2,812	$ 4,720	$ 1,423	-40.4%	231.7%

Gross margins were effected by lower root prices and changes in sales mix during 1997, and declined to 9.4% from 46.4% in the prior year. The Company historically has earned its highest margins on Chai-Na-Ta grown root. Due to the change in sales strategy, the volume of Chai-Na-Ta grown root sold declined in both absolute and relative terms in 1997, significantly reducing gross profit. During 1997 a substantial portion of the root volume sold was derived from sale of ginseng which was repossessed after cancellation of certain 1996 root

sales contracts. This root was returned to inventory at market value and subsequently sold during the year; consequently it generated little or no gross margin contribution. Value-added products contributed positively to gross margin in 1997, but declined in amount from 1996 due to the decrease in sales volume. The average cost per pound from the 1997 harvest decreased slightly from 1996 due to a 4% improvement in yield per acre, to 2240 pounds. This yield was above the average industry yield and is expected to continue to improve in future years as the benefits of improved farming practices are realized.

Selling, general and administrative expenses increased by 36% or $2.1 million to $7.9 million in 1997. The major reasons for the increase were expenditures associated with the commencement of operations at Chai-Na-Ta Mexico ($1.4 million) and increased marketing costs in the Chai-Na-Ta (Asia) Group ($0.7 million). Once Chai-Na-Ta Mexico commenced marketing activities with the test launch of products in November 1996 the Company stopped deferring start-up costs. The main component of 1997 costs was advertising and direct sales promotion as a consumer brand recognition program was implemented. At Chai-Na-Ta (Asia), cost increases were associated with building a direct sales force in order to expand graded root sales volume in 1998. Selling, general and administrative expenses declined by 36% at Unique Formulations due to expense reduction measures which were implemented to offset the decline in private label sales volume. Expenses at Chai-Na-Ta Corp. increased by 9.4%, mainly as a result of establishing additional marketing support for all divisions. In 1998, management will focus on process improvements and cost reductions throughout operations.

SELLING, GENERAL, & ADMINISTRATIVE EXPENSES
(Stated in thousands of Canadian Dollars)

Years ended November 30	1997	1996	1995	% Change 1997	% Change 1996
Corporate and Farming	$ 3,393	$ 3,101	$ 2,885	9.4%	7.5%
Unique Formulations, Inc.	487	757	-	-35.7%	N/A
Chai-Na-Ta Mexico	1,559	192	-	712.0%	N/A
Chai-Na-Ta (Asia) Group	2,429	1,737	1,326	39.8%	31.0%
	$ 7,868	$ 5,787	$ 4,211	36.0%	37.4%

Provisions for bad debts increased by $373,000 during the year due to the bankruptcy of a major root buyer in Hong Kong, and as a result of taking provisions for certain slow-paying accounts in the People's Republic of China. Credit conditions are being monitored closely in 1998 due to continuing tight credit terms in China, and the changes which have occurred in the traditional distribution network.

Interest and financing charges reflect the net amount remaining after capitalization of financing costs related to crop expenditures. As North American ginseng is a multiple-year crop requiring significant early-period financing, a portion of interest costs related to financing crop costs is capitalized and expensed to cost of goods sold in the year the related harvest is sold. This provides a better matching of costs with revenues. Total

interest costs before capitalization increased by approximately $1.5 million to $3.6 million in 1997. Of this amount, approximately $2.4 million was capitalized to crops. Approximately $1.2 million of previously capitalized interest is included in inventory at year end and will be expensed to cost of goods sold during 1998 as the harvest is sold. Total interest costs increased relative to 1996 since the term debt raised during 1996 was outstanding for a full year in 1997, and as a result of the operating line of credit which was established during the fourth quarter of the current year. Interest costs are expected to increase somewhat in 1998 due to continued use of the line of credit to finance inventory under the current sales strategy.

During the year, the Company took a $7.3 million charge for losses related to quality problems with the 1996 harvest and the declining world price. In 1996, approximately 90% of the 1996 harvest was sold to various customers in the fourth quarter under sales contracts, with prices established based on early harvest samples. This was a departure from the practice in prior years and was undertaken due to the unusually late harvesting season in 1996, which was the result of unfavorable weather conditions. During the third quarter of 1997, certain of these sales contracts were cancelled when it became apparent that the quality level of the root was below expectations. This resulted in customers refusing to pay for some of the root they had purchased. Problems arose due to the wet conditions that existed during the 1996 harvest, causing an unusually high level of poor quality root. In addition, the wet weather contributed to processing problems at the farms, and resulted in root which was not washed and dried to Chai-Na-Ta's normal standards, or to the level of quality indicated by the early harvest samples. In the Company's view, litigation was not practical given the quality problems attributable to harvest processing operations. In order to maintain long-term customer relations, all disputed root (approximately 274,000 pounds) was repossessed under collateral arrangements and the sales contracts were cancelled. The resulting loss of $7.3 million has been reflected as a charge against earnings. Repossessed root inventories were sold during the third and fourth quarters. During 1997, Chai-Na-Ta Farms reviewed and implemented improved processes and equipment in order to prevent a reoccurrence of the processing problems encountered in 1996. In addition, the Company will no longer sell any root inventories prior to them being available for final inspection.

The consolidated income tax recovery was recorded at 30.6% of pre-tax income in 1997, as compared to income tax expense at 33.4% in 1996. The effective rate declined as the result of tax rate differentials existing in the various jurisdictions in which the Company operates. In 1997, a proportionately higher percentage of the consolidated loss was incurred in low rate jurisdictions as compared to the distribution of earnings in 1996. Future tax provisions should approximate the current year rate as earnings from processing and marketing operations become a larger proportion of consolidated earnings.

Net loss for the year totaled $10.6 million ($2.64 loss per share), as compared to net income of $6.1 million ($1.53 earnings per share) in 1996. The loss in the current year was primarily the result of the lower root sales volume, lower prices, the increase in expenditures for marketing programs at Chai-Na-Ta Mexico and Chai-Na-Ta (Asia), and the $7.3 million charge for losses on cancelled sales contracts. Future earnings levels are expected to improve as a result of increased sales volume due to the carry-over of inventory, the potential for increased prices, improved sales contribution from value-added programs, and the non-recurrence of contract sales losses.

Financial Position and Liquidity

Cash provided from operations declined by $22.7 million to a deficit of $2.4 million as a result of the current year operating loss. However, due to settlement of the accounts receivable balances from 1996, the Company's non-cash working capital investment was reduced, and as a result, cash flow from operations before reinvestment into crops remained positive at $1.6 million, as compared to $3.0 million in 1996. Cash flow from operations is expected to improve in 1998 as the Company sells inventory from the 1997 harvest and increases its sales volume over that of 1997.

Current and non-current crop cost expenditures before depreciation totaled $12.6 million in 1997, as compared to $10.0 million in fiscal 1996. Approximately $1.0 million of this increase was due to additional financing costs arising from the $20 million term loan which was arranged during 1996. The balance of the increase is attributable to increases in labour and fertilizers, resulting from increased efforts in the areas of weed control and disease prevention necessitated by the cool, wet growing season in 1997. Total acres under cultivation and management at the end of the year declined slightly to 1,455. The Company does not expect to expand acreage significantly in the next year in order to preserve cash flow in the event current low prices persist.

Term debt increased by $1.6 million in 1997. The major components of this change were new capital leases to finance farming equipment, project financing for the Skeetchestn/ Chai-Na-Ta farming joint venture, and exchange rate adjustments on existing US dollar term debt.

Net capital expenditures totaled only $1.7 million in 1997, a slight decrease from the $1.8 million in 1996. Due to the temporary slowdown in acreage expansion, farm capital expenditure requirements have been substantially reduced, since sunshade structure can be reused. As a result, capital expenditures are not expected to increase until acreage expansion is resumed in later years.

Net cash outflow for the year was $6.1 million, which reduced the net consolidated cash position to $2.4 million from $8.5 million at the end of 1996. In order to improve liquidity and finance the carrying of inventory under the current sales strategy, in December 1997 the Company established a revolving credit facility of $5 million.

Consolidated working capital declined to $19.3 million from $40.0 million in the prior year. The main components of this change were the reduction in cash balances due the current year operating loss, lower accounts receivable (partially offset by higher inventories) resulting from not selling root from the 1997 harvest in the fourth quarter, and an increase in the current portion of long-term debt reflecting two convertible loans which will mature during 1998. In addition, the current portion of ginseng crops increased by $3.4 million as a result of the larger acreage scheduled for harvest in 1998 and an increase in the ratio of four-year-old gardens which will be harvested relative to three-year-old gardens.

The primary sources of liquidity to the Company are its cash reserves, unused proportion of its operating line of credit, and inventory from the 1997 harvest. The Company retired a $2 million debenture in December 1997. Included in the year-end consolidated cash position was cash of $2.1 million which had been segregated for this purpose. In addition, a US$4.6 million convertible loan of the Company's subsidiary, Chai-Na-Ta (Asia) Ltd., will mature in October 1998 unless converted by the holder. Management does not expect that internally generated cash flow will be sufficient to retire this debt. Therefore, the Company will seek to refinance this loan with either replacement debt or new equity. Capital expenditures are expected to total less than $1.0 million in 1998, with funds provided from operating cash flow.

As a result of the current year financial performance, the holder of the $20 million senior secured notes has waived compliance with certain financial covenants, and has provided other assistance related to securing the Company's line of credit. This waiver also applies to certain financial tests in the 1998 fiscal year.

Management believes that capitalization and financial resources are a significant competitive advantage in the North American ginseng industry. As a result, the Company may choose to raise additional capital through debt or equity financings to strengthen its financial position, facilitate growth, and provide flexibility to take advantage of potential business opportunities that may arise.

Risks and Uncertainties

The Company's primary business is the cultivation and marketing of North American ginseng. Ginseng farming is subject to agricultural risks including risks of low yields, poor crop quality, and crop failure. To minimize these risks, the Company employs an extensive team of plant science specialists, diversifies its farms to multiple sites in British Columbia and Ontario, and undertakes a wide array of crop risk management techniques to protect against disease, drought and pests.

The marketing of bulk and graded North American ginseng in world markets is subject to pricing risks. The price of North American ginseng may be affected by factors such as the size, shape, colour, taste, and quality of the harvest for the Company and the industry at large, as well as other factors in any given year. These are factors that the Company may not be able to control in the short term. The Company's long-term strategy is to expand the level of vertical integration throughout its operations, potentially reducing the exposure to bulk North American ginseng price fluctuations as more root is sold into the value-added consumer products market. In addition, the Company maintains economies of scale in its operations which are designed to give it a competitive advantage relative to other producers when prices decline.

The Company operates in international markets and conducts business in Canadian, US, Mexican, Hong Kong and Chinese currencies. Exchange risks are present as currencies may fluctuate at different rates depending on economic, political and other factors. The Company has a natural hedge on some of its foreign currency exposure as it makes both root sales and transaction expenditures in local currencies. Bulk root sales are generally referenced to the US dollar. Although the Company deals primarily in the spot market for US dollars, it may occasionally purchase forward contracts to hedge against exchange rate risks on anticipated receipts. The Hong Kong dollar has historically followed US dollar exchange rates, and exchange rate hedges on the US dollar have historically been effective in covering risk in the Hong Kong dollar as well. To minimize exposure to the Hong Kong dollar the Company maintains low capital investment in the region, and repatriates all surplus cash balances. The Company intends to hedge its exposure on the Mexican peso by purchasing forward-exchange contracts to cover net receipts at the time of making a sale. In addition, all significant cash balances in Mexico are maintained in US dollars and manufacturing is sourced locally as a natural hedge. The Chinese renminbi is not currently a convertible currency outside of China. However, the Chinese government has indicated that it intends to make the currency tradable in world markets once it enters the World Trade Organization. Despite comparatively high inflation in China, the government has managed to maintain a relatively stable internal currency conversion rate to US dollars. It is possible, however, that future devaluations of the renminbi could occur, similar to those which occurred in 1993. This could have an adverse effect on the profitability of Chinese operations, should it occur. To help offset this risk, our China-based projects are financed to the maximum extent possible in local currencies, and all surplus cash is repatriated.

Political risks exist in parts of Asia, the Company's primary market. In particular, with the recent change in leadership, China could undergo a period of uncertainty. The takeover of Hong Kong by China in 1997 has not significantly altered the business and economic conditions in the region. However, the Company has relatively small long-term capital commitments in Hong Kong and operations could easily be relocated if necessary.

The Company has historically used term debt financing to finance long-term capital asset acquisitions, including crops, and short-term borrowings to finance working capital needs. Interest rate risk is managed by arranging most term debt financing with fixed rates for the life of the obligations. Working capital loans are short term in nature and represent a relatively small portion of total borrowings. Accordingly, management does not hedge interest rate risk on this debt.

The Company sells most of its bulk root to a small number of customers in a highly seasonal market. Through its vertical integration program, Chai-Na-Ta is attempting to increase distribution channels and further diversify its customer base to reduce customer risk. Credit terms are carefully monitored, and credit is only granted to customers with established relationships or acceptable credit ratings. Letters of credit may be used, or inventory may be held as security until payment is received, when such relationships have not been established.

In order to fund the financial requirements of the Company, including capital for debt retirement and expansion, additional outside sources of funds may be required. The amount of such funding is dependent on the future profitability of the Company, as well as the pricing for its products in world markets and the scope of its future expansion. Future funding may require issues of additional debt or equity; however, there can be no assurance that capital markets will be conducive to such financings. If these conditions were to occur, the Company expects it would reduce costs, alter planting harvest schedules, defer capital expenditures, and forego expansion projects in order to minimize the amount of financing required.

The Company is currently undertaking a study to determine the implications, if any, of the Year 2000 century change on the Company's information systems and operations. Although the Company employs advanced information technology in its operations, it does not consider itself operationally dependent on any particular technology. Production-related equipment currently in use is not generally date dependent. Furthermore, the Company is not dependent on any one supplier and believes it would not be materially effected by potential Year 2000 problems of its vendors. The Company does not currently employ Electronic Data Interchange (EDI) technology with its customers. A majority of the information systems hardware in use by Chai-Na-Ta has been determined to be Year 2000 compliant. While evaluation of application software is ongoing, the Company generally utilizes standard version commercially available application software purchased from major vendors. All major software systems used in North American operations have been certified to be Year 2000 compliant. If other operations are determined not to be compliant, the Company may elect to purchase alternative, commercially available software which is compliant. The costs to undertake such measures are not expected to be material. Costs associated with evaluating and implementing Year 2000 solutions will be expensed in the period incurred.

To the Shareholders of Chai-Na-Ta Corp.
We have audited the consolidated balance sheets of Chai-Na-Ta Corp. as at November 30, 1997 and 1996 and the consolidated statements of earnings, retained earnings, changes in financial position and crop costs for each of the years in the three-year period ended November 30, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 1997 and 1996 and the results of its operations and the changes in its financial position and crop costs for each of the years in the three-year period ended November 30, 1997 in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche.

Chartered Accountants
Vancouver, British Columbia
January 23, 1998

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The management of Chai-Na-Ta Corp. is responsible for the preparation and integrity of the financial statements of the Company. The financial statements have been prepared in accordance with generally accepted accounting principles using management's estimates and judgements when necessary. The financial information contained elsewhere in this annual report is consistent with that in the income statement, balance sheet and statements of changes in financial position and crop costs.

Chai-Na-Ta Corp. maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded against loss or unauthorized use and that financial records are adequate and can be relied upon to produce financial statements in accordance with generally accepted accounting principles. The concept of reasonable assurance is based on the recognition that the cost of maintaining our system of internal accounting controls should not exceed the benefits to be derived from the system. The system is supported by written policies and guidelines, and is continuously reviewed.

Deloitte & Touche, independent auditors, are retained to audit Chai-Na-Ta Corp.'s financial statements. Their audit is conducted in accordance with generally accepted auditing standards and provides an independent assessment that helps assure fair representation of the Company's financial statements. Their opinion on the financial statements is published separately in this annual report.

The Board of Directors, through its Audit Committee, exercises an oversight role in the Company's financial affairs and statements. The Committee meets with management and the independent auditors as required. These meetings include discussions of internal accounting control and the quality of management and financial reporting. Both the Finance and Administration department of the company and the independent auditors have full and free access to the Audit Committee.

G. Gill

Gerry A. Gill,
President & CEO

CONSOLIDATED BALANCE SHEETS

(Stated in Canadian Dollars)

As at November 30	1997	1996
ASSETS		
Current assets		
Cash and cash equivalents (Note 9(b))	$ 3,435,077	$ 8,492,782
Accounts receivable	3,642,073	24,223,617
Inventory	16,211,219	3,076,934
Ginseng crops (Note 4)	11,277,297	7,861,831
Prepaid and other assets	615,555	264,994
	35,181,221	43,920,158
Investment in Dalian Pegasus Ginseng Pharmaceutical Co., Ltd. (Note 3)	6,337,184	6,047,576
Ginseng crops (Note 4)	15,867,255	17,593,012
Capital assets (Note 5)	14,199,112	14,532,467
Other assets (Note 6)	2,649,705	2,871,828
	$ 74,234,477	$ 84,965,041
LIABILITIES		
Current liabilities		
Line of credit (Note 7)	$ 1,007,710	$ -
Short-term borrowings (Note 8)	296,595	281,942
Accounts payable and accrued liabilities	5,777,179	3,548,851
Current portion of term debt (Note 9)	8,742,562	119,332
	15,824,046	3,950,125
Term debt (Note 9)	21,642,038	28,714,671
Deferred gain (Note 10)	614,600	581,275
Capital due to co-venturer (Note 10)	1,125,000	1,312,500
Deferred income taxes (Note 14)	6,596,781	11,299,781
Non-controlling interests	74,008	593,662
	45,876,473	46,452,014
SHAREHOLDERS' EQUITY		
Share capital (Notes 11 and 12)	17,221,262	17,221,164
Equity component of convertible debt and warrants (Note 9(b))	1,416,092	1,416,092
Cumulative translation adjustment	192,459	(288,604)
Retained earnings	9,528,191	20,164,375
	28,358,004	38,513,027
	$ 74,234,477	$ 84,965,041

Commitments (Note 15)

APPROVED BY THE BOARD

G. Gill

Director

C. Pins

Director

CONSOLIDATED STATEMENTS OF EARNINGS

(Stated in Canadian Dollars)

Years Ended November 30	1997	1996	1995
Revenue	$ 9,052,647	$ 34,429,647	$ 25,878,272
Cost of goods sold	8,201,600	18,440,782	12,504,227
	851,047	15,988,865	13,374,045
Selling, general and administrative expenses	7,867,554	5,787,157	4,210,632
Bad debts	586,434	212,769	-
Interest and financing charges	1,237,203	745,501	810,319
	9,691,191	6,745,427	5,020,951
	(8,840,144)	9,243,438	8,353,094
Loss on sales contracts (Note 13)	(7,325,925)	-	-
Operating income (loss)	(16,166,069)	9,243,438	8,353,094
Other income	307,231	109,201	74,147
Equity loss of Unique Formulations, Inc.	-	-	(147,416)
Non-controlling interests	519,654	(189,312)	(157,263)
Earnings (loss) before income taxes	(15,339,184)	9,163,327	8,122,562
Provision for income taxes (recovery) (Note 14)	(4,703,000)	3,059,748	3,100,000
NET EARNINGS (LOSS)	$ (10,636,184)	$ 6,103,579	$ 5,022,562
Basic earnings (loss) per share	$ (2.64)	$ 1.53	$ 1.32
Fully diluted earnings (loss) per share	$ (2.64)	$ 1.26	$ 1.10
Weighted average number of shares used to calculate basic earnings (loss) per share	4,021,553	3,982,677	3,806,268

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(Stated in Canadian Dollars)

Years Ended November 30	**1997**	1996	1995
Balance, beginning of year	**$ 20,164,375**	$ 14,060,796	$ 8,856,828
Net earnings (loss)	**(10,636,184)**	6,103,579	5,022,562
Foreign withholding taxes recovered on stock dividends	**-**	-	181,406
Balance, end of year	**$ 9,528,191**	$ 20,164,375	$ 14,060,796

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

(Stated in Canadian Dollars)

Years Ended November 30	1997	1996	1995
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:			
OPERATING ACTIVITIES			
Cash provided from (used in) operations (Note 17(a))	**$ (2,347,953)**	$ 20,304,108	$ 15,761,451
Changes in non-cash operating working capital items (Note 17(b))	**3,965,516**	(17,262,708)	1,523,982
Change in non-current crop costs	**(7,224,847)**	(5,846,048)	(6,591,961)
	(5,607,284)	(2,804,648)	10,693,472
FINANCING ACTIVITIES			
Issuance of share capital	**98**	2,157,907	339,094
Increase in deferred financing costs	**-**	(1,517,258)	(564,415)
Issuance of term debt, net	**1,550,597**	16,320,418	3,483,947
Deferred gain	**33,325**	321,275	260,000
Joint venture capital contributed by (returned to) co-venturer	**(187,500)**	(375,000)	1,687,500
Stock dividend withholding tax	**-**	-	181,406
Issuance of warrants	**-**	825,000	-
	1,396,520	17,732,342	5,387,532
INVESTING ACTIVITIES			
Investments	**(289,608)**	(166,183)	(114,397)
Purchase of capital assets, net	**(1,670,198)**	(1,755,889)	(7,130,076)
Increase in other assets	**(375,908)**	(493,232)	(3,513,051)
Deferred translation gain (loss)	**481,063**	(268,238)	(126,007)
	(1,854,651)	(2,683,542)	(10,883,531)
NET CASH INFLOW (OUTFLOW)	**(6,065,415)**	12,244,152	5,197,473
CASH AND CASH EQUIVALENTS POSITION, BEGINNING OF YEAR	**8,492,782**	(3,751,370)	(8,948,843)
CASH AND CASH EQUIVALENTS POSITION, END OF YEAR	**$ 2,427,367**	$ 8,492,782	$ (3,751,370)
Represented by:			
Cash and cash equivalents	**$ 3,435,077**	$ 8,492,782	$ 1,903,630
Line of credit	**(1,007,710)**	-	(5,655,000)
	$ 2,427,367	$ 8,492,782	$ (3,751,370)

(Stated in Canadian Dollars)

Years Ended November 30	**1997**	1996	1995
Depreciation	**$ 1,818,642**	$ 1,654,405	$ 1,750,679
Farm equipment operating costs	**610,297**	747,381	687,541
Interest and financing charges	**2,350,916**	1,392,237	660,654
Land rental	**761,968**	691,328	589,601
Mulch and fertilizer	**2,284,569**	1,814,512	1,955,245
Other	**305,366**	146,914	111,733
Plant science	**36,703**	37,826	26,980
Salaries and wages	**5,084,506**	4,304,192	4,477,086
Seed	**870,854**	600,937	914,270
Small tools and supplies	**94,787**	93,709	72,313
Warehouse and dryer operations	**199,043**	154,422	269,261
	14,417,651	11,637,863	11,515,363
Balance, beginning of year	**25,454,843**	24,229,256	19,701,679
	39,872,494	35,867,119	31,217,042
Less:			
Cost of crop and seed harvested during period	**12,727,942**	10,412,276	6,346,221
Sale of crops to Joint Venture	-	-	641,565
Balance, end of year	**27,144,552**	25,454,843	24,229,256
Less: current portion	**11,277,297**	7,861,831	8,234,504
	$ 15,867,255	$ 17,593,012	$ 15,994,752

(Stated in Canadian Dollars)

For the years ended November 30, 1997, 1996 and 1995

1. NATURE OF OPERATIONS AND SIGNIFICANT ITEMS

As a result of changes in market conditions, management has revised its sales strategy from selling a substantial portion of the fall harvest in the fourth quarter following the harvest, to a strategy of selling the harvest more uniformly over the following twelve months.

This transition has had a significant impact on fiscal 1997 root sales volume and revenue, since the current year's harvest was carried forward for sale in the following fiscal year.

As a result of the Company's continuing vertical integration strategy, selling, general and administrative expenses reflect costs to establish operations in new markets. The table below summarises these expenses by geographic region:

Selling, general and administrative expenses	1997	1996	1995
North America	$ 3,879,284	$ 3,859,019	$ 2,884,896
Mexico	1,559,258	191,566	-
Asia	2,429,012	1,736,572	1,325,736
	$ 7,867,554	$ 5,787,157	$ 4,210,632

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements are expressed in Canadian dollars and have been prepared in accordance with accounting principles generally accepted in Canada, which differ in some respects from those in the United States (see Note 20), and reflect the following significant accounting policies below:

(a) Description of business

The Company operates North American ginseng farms in Canada, on which ginseng root is planted, cultivated and harvested. Through its subsidiaries, the Company operates ginseng processing and marketing facilities in Hong Kong, China, the Caribbean, Mexico and the United States.

(b) Basis of presentation

These consolidated financial statements include the accounts of the Company and those of its subsidiaries and joint ventures. All significant intercompany transactions and balances have been eliminated.

At November 30, 1997, the Company's effective ownership interests in these companies were as follows:

Subsidiaries	
Chai-Na-Ta Farms Ltd.	100%
Chai-Na-Ta International Ltd.	100%
Chai-Na-Ta (Asia) Ltd.	90.4%
North American Ginseng Enterprises Limited	90.4%
Unique Formulations, Inc.	90%

Joint Ventures and Partnerships *(consolidated on a proportionate basis)*	
Wuxi Zhong Jia American Ginseng Natural Tonics Co. Ltd.	46.1%
Skeetchestn / Chai-Na-Ta Xexe7ellp (Potent) Ginseng Joint Venture	50%
President / Chai-Na-Ta Farms Partnership	30%

(Stated in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Revenue recognition

Revenue is recognized when title has been transferred or ginseng products have been delivered to customers.

(d) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits in banks and highly liquid investments with an original maturity of three months or less.

(e) Inventory

Inventory is valued at the lower of cost and net realizable value.

(f) Investments

The Company accounts for those investments in which it has no significant influence using the cost method. For those investments in which the Company has significant influence the equity method is used, whereby the Company's share of net earnings is included in earnings for the year and the Company's investment therein is adjusted accordingly. Provisions are made for any impairments in value which are determined to be other than temporary.

(g) Ginseng crops

The Company uses the full absorption costing method to value its ginseng crops. Included in crop costs are seed, labour, applicable overhead, interest and supplies. Costs are allocated each year based on the total number of acres under cultivation during the year.

Those crop costs relating to the acreage harvested and sold have been charged to cost of sales.

(h) Capital assets and depreciation

Capital assets are depreciated on a straight-line basis over the following periods:

Buildings	20 years
Computer equipment and software	4 years
Furniture and fixtures	10 years
Leasehold improvements	10 years
Machinery and equipment	10 years
Sunshade	10 years
Vehicles	8 to 10 years

(i) Deferred financing costs

Deferred financing costs are amortized on a straight-line basis over the term of the related debt and are included in interest and financing charges for the year.

(j) Deferred development costs

Pre-operating branch start-up costs are amortized on a straight-line basis over a five year period from the date the branch commences operations.

(k) Goodwill

Goodwill arising on acquisition is amortized on a straight-line basis over a ten year period. Provisions are made for any impairments in value which are determined to be other than temporary.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Foreign currency translation

Financial statements of the Company's self-sustaining foreign operations are translated into Canadian dollars using the current rate method. Adjustments arising from this translation are deferred and recorded as Cumulative Translation Adjustment under the Shareholders' Equity section of the balance sheet and are included in income only to the extent of any reduction in the investment in these foreign operations is realized.

(m) Financial instruments

Financial instruments of the Company are represented by cash and cash equivalents, accounts receivable, short-term borrowings, accounts payable and accrued liabilities and capital lease obligations. The carrying value of these instruments approximate fair value due to their immediate or short-term liquidity.

The Company estimates the fair value of its interest-bearing debentures and convertible loans at the higher of their respective liquidation values or converted values based upon the quoted market price of the Company's common shares. The Company estimates the fair value of its non-interest bearing term debt using discounted cash flows assuming a borrowing rate equal to the Bank of Canada rate plus 2%.

(n) Use of estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

(o) Earnings (loss) per share

Earnings (loss) per share are calculated using the weighted average number of shares outstanding during the year. Fully diluted earnings (loss) per share are calculated based on basic earnings (loss) per share adjusted for the effect of the potential exercising of warrants, convertible debt and options.

3. INVESTMENTS

(a) Dalian Pegasus Ginseng Pharmaceutical Co., Ltd.

The Company's investment in Dalian Pegasus Ginseng Pharmaceutical Co., Ltd. ("Dalian") is accounted for using the cost method. Dalian is pharmaceutical manufacturing company based in Dalian, China, and is currently under development. During 1996, the Company agreed to divest a portion of its investment in Dalian from 77.3% to approximately 25% ownership with further dilution anticipated as additional financing is raised to complete the project.

(b) Unique Formulations, Inc.

During 1996, the Company increased its ownership from 50% to 90% interest in Unique Formulations, Inc. in exchange for an additional $339,000 by way of debt conversion.

The acquisition has been accounted for using the purchase method and the excess purchase price over the net book value of tangible assets acquired has been allocated to goodwill. The Company has consolidated operations since the acquisition date.

(Stated in Canadian Dollars)

3. INVESTMENTS (CONTINUED)

(b) Unique Formulations, Inc. (continued)

Net estimated fair value of assets acquired at acquisition date:

Current assets	$ 666,437
Capital assets	28,792
Goodwill	384,369
	1,079,598
Current liabilities	672,568
Other liabilities	68,030
	740,598
	$ 339,000

Goodwill is being amortized on a straight-line basis over ten years of which $63,282 has been amortized to date (1996 - $23,147).

4. GINSENG CROPS

Ginseng plants reach maturity and can be harvested at the end of their third year of growth. However, the Company may allow crops to mature longer to allow for higher yields and additional seed harvests. Costs accumulated relating to the expected harvest in the next year have been classified as current assets. At present, total acreage under cultivation and management is 1,455 acres. A breakdown of those acres by year planted is as follows:

Year planted	Number of acres
1993	119
1994	390
1995	224
1996	368
1997	354
	1,455

5. CAPITAL ASSETS

	1997		1996	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	$ 598,515	$ -	$ 935,515	$ -
Buildings	2,649,024	506,868	2,316,630	391,198
Computer equipment and software	447,507	260,779	285,812	153,076
Furniture and fixtures	430,557	199,541	447,653	187,812
Leasehold improvements	593,195	244,031	533,186	186,806
Machinery and equipment	5,444,597	2,262,725	4,768,721	1,826,536
Sunshade	13,551,451	6,233,420	12,859,338	5,041,369
Vehicles	481,638	290,008	458,182	285,773
	$ 24,196,484	$ 9,997,372	$ 22,605,037	$ 8,072,570
Cost less accumulated depreciation	$14,199,112		$14,532,467	

(Stated in Canadian Dollars)

6. OTHER ASSETS

	1997	1996
Land purchase option	$ 26,235	$ 74,000
Deferred financing costs, net of amortization	1,205,957	1,742,197
Deferred development costs, net of amortization	445,282	400,417
Due from joint venture	586,305	210,000
Advances	64,839	83,992
Goodwill	321,087	361,222
	$ 2,649,705	$ 2,871,828

7. LINE OF CREDIT

During 1997, the Company had available a $1,500,000 line of credit that bore interest at prime plus 3/4% with a Canadian chartered bank secured by a first charge over certain assets of the Company. Borrowings of $1,007,710 against this line of credit were outstanding at November 30, 1997 (1996 - Nil). On December 29, 1997 the Company extended this line of credit to $5,000,000 at similar terms. The line of credit is repayable on or before November 15, 1998.

8. SHORT-TERM BORROWING

The loan from a Chinese bank bears interest at the US currency floating prime rate of the Chinese government. The loan is renewed annually and is secured by China National Pharmaceutical Foreign Trade Corp., a co-venturer in Wuxi Zhong Jia American Ginseng Natural Tonics Co. Ltd. At November 30, 1997, $208,444 USD remains outstanding (1996 - $208,645 USD).

9. TERM DEBT

		1997	1996
Convertible loan	(a)	$ 6,421,525	$ 5,947,428
Debentures and notes payable	(b)	23,475,260	22,641,724
Land purchase loan	(c)	118,500	207,655
Capital leases	(d)	369,315	37,196
		30,384,600	28,834,003
Less: current portion		8,742,562	119,332
		$ 21,642,038	$ 28,714,671

(a) Convertible loan

During 1993, Chai-Na-Ta (Asia) Ltd, (CNTA) obtained a $6,089,670 USD unsecured loan. The loan bears interest at the highest of 3% or CNTA's dividend yield (1997 and 1996 - 3%). The loan is repayable on October 15, 1998 unless the loan has been converted as follows:

(i) Into shares of CNTA. The percentage of shares to be issued expressed as a percentage of the shares outstanding after giving effect to the conversion will be calculated by dividing the loan amount by the sum of the loan amount and the conversion value of CNTA. The conversion value of CNTA is calculated by multiplying the consolidated after-tax earnings of CNTA for the year ended November 30, 1994 by a price earnings multiple of at least 4.5. As per the loan agreement, this price earnings multiple will be adjusted in the event that CNTA is called for trading on a recognized stock exchange.

(Stated in Canadian Dollars)

9. TERM DEBT (CONTINUED)

(a) Convertible loan (continued)

(ii) Alternatively, the lender may convert the loan into shares of North American Ginseng Enterprises Limited (NAGEL). The percentage of shares to be issued expressed as a percentage of the total number of shares of NAGEL which will be issued and outstanding after giving effect to the conversion, shall be equal to the percentage that would be obtained if the loan was converted into shares of CNTA.

(iii) Alternatively, the lender may convert the loan into shares of the Company. The effective price at which the loan may be converted shall be the current public offering price less a 5% discount. The amount to be converted shall be the greater of the loan amount and the amount calculated by multiplying the percentage of shares that would be issued if converted into CNTA by the conversion value using a price earnings multiple of 7.

In no event shall the lender receive less than 15%, or more than 35% of the common shares of CNTA or NAGEL outstanding after conversion. If, as a result of any such conversion the lender would be entitled to more than 35% of the outstanding common shares of CNTA or NAGEL following conversion, the lender shall be entitled to convert the otherwise unconvertible portion of the loan into shares of the Company under the terms as described above.

During 1996, the lender converted $1,500,000 USD of this loan into 159,525 shares of the Company at a price of $9.40 USD per share. The balance outstanding at November 30, 1997 is $4,589,670 USD.

The Company incurred financing costs of $404,774 on issuance of this convertible loan of which $379,634 has been amortized to date (1996 - $280,580). In addition, the lender has been issued "C" share purchase warrants (Note 12(b)). Consideration of $544,752 USD, net of allocated issue costs have been recorded as Equity Component of Convertible Debt and Warrants in Shareholders Equity and represents a discount on the loan. The discount is being amortized over the period to maturity.

(b) Debentures and notes payable

(i) During 1995, through a private placement, the Company issued two $500,000 USD 1995 "Series A" convertible debentures that mature on June 12, 2000. The debentures bear interest at 8.5% and interest is paid semi-annually in arrears on June 30 and December 31; the first payment was made on December 31, 1995.

Each "Series A" debenture is convertible into common shares of the Company at the option of the holder at any time during the first two years after issue at a conversion price of $9.12 USD; thereafter, until 120 days prior to maturity, the conversion price is $10.64 USD. The Company may require the holders to convert the "Series A" debentures into common shares after two years at a conversion price of $10.64 USD if the common shares are trading at a price exceeding $13.84 USD. In addition, the Company issued "E" share purchase warrants to the private placement agent (Note 11(b)).

The Company incurred financing costs of $144,999 on issuance of these convertible debentures of which $72,494 has been amortized to date (1996 - $43,494).

9. TERM DEBT (CONTINUED)

(b) Debentures and notes payable (continued)

(ii) During 1995, the Company issued a $2 million secured convertible debenture bearing interest at prime plus 3%. As a result of issuing the senior secured notes (Note 9(b(iv))) the November 30, 1997 and 1996 balance of cash and cash equivalents includes $2.15 million required to be kept as a reserve to retire the debt on maturity.

The debenture is convertible into common shares of the Company at the option of the holder any time after March 31, 1996 at a conversion price of $12.84. The debenture will mature on December 31, 1997 unless converted by the issuer. If held to maturity, the holder is entitled to a 5% cash bonus on the outstanding balance at the date of maturity. On December 31, 1997 the debenture was repaid in full along with the 5% cash bonus for a total of $2,100,000.

The Company incurred financing costs of $146,668 on issuance of this debenture of which $141,038 has been amortized to date (1996 - $72,960).

(iii) Upon the acquisition of the controlling interest of Unique Formulations, Inc., the Company assumed a $50,000 USD unsecured, non-interest bearing note payable. Repayment of this note is not expected to occur within the next fiscal year (Note 3(b)).

(iv) During 1996, the Company issued $20 million in senior secured notes that mature in equal amounts on June 30, 1999, June 30, 2000, and June 18, 2001. The notes are secured by a charge over certain assets of the Company. These notes bear interest at 10.6% and interest is paid semi-annually in arrears on June 30 and December 31; the first payment was made on June 30, 1996.

In addition, the Company issued transferable "F" series share purchase warrants entitling the holders to purchase 275,000 common shares of the Company at a price of $12.80 until June 18, 2001 (Note 12(b)). Consideration of $825,000, net of allocated issue costs, has been recorded as Equity Component of Convertible Debt and Warrants in Shareholders' Equity and represents a discount on the notes. The discount is being amortized ratably over the period to maturity.

As a result of the current year's loss the Company was not in compliance with certain financial tests. The lender has provided a waiver of compliance for the ensuing year.

The Company incurred financing costs of $1,539,030 on issuance of these notes of which $617,595 has been amortized to date (1996 - $293,560).

(v) During the year, the Skeetchestn/Chai-Na-Ta Xexe7ellp (Potent) Ginseng Joint Venture issued a $491,195 unsecured note payable that matures on August 1, 2000. The note bears interest at 10% and interest is paid monthly.

(Stated in Canadian Dollars)

9. TERM DEBT (CONTINUED)

(c) Land purchase loan

During 1993, the Company entered into an agreement to purchase 220 acres of agricultural land for $590,000. This amount is payable over five years with annual principal and interest repayments until May 1, 1998.

The loan bears interest at 10% calculated on the loan balance outstanding on the anniversary date of December 7th of each year.

(d) Capital leases

The Company has entered into capital leases which expire in 2001 and 2002. The capital leases bear interest at an approximate rate of 7.5%. The leased capital assets have been recorded as machinery and equipment and are amortized on a straight-line basis over 10 years.

	1997	1996
Cost	$ 456,828	$ 43,153
Accumulated amortization	$ 27,827	$ 3,515

Principal and interest repayments are due as follows:

1998	$ 102,886
1999	85,597
2000	85,685
2001	81,057
2002	71,754
Total minimum lease payments	426,979
Less: amounts representing interest	(57,664)
Present value of net minimum lease payments	369,315
Less: current portion	(81,785)
	$ 287,530

10. JOINT VENTURES

During 1995, the Company entered into two joint ventures that operate North American ginseng farms in British Columbia, Canada. Through these joint ventures the Company plants, cultivates and harvests ginseng root.

The Company's proportionate interest in capital contributed by the co-venturer in the Skeetchestn/ Chai-Na-Ta Xexe7ellp (Potent) Ginseng Joint Venture is shown as a Deferred Gain on the balance sheet. This amount will be realized in income as cash distributions are made from the project.

The Company's proportionate interest in capital contributed by the co-venturer in the President/ Chai-Na-Ta Farms Partnership is shown as Capital Due to Co-Venturer. This amount will be reduced as capital distributions are made.

(Stated in Canadian Dollars)

10. JOINT VENTURES (CONTINUED)

The Company conducts a significant portion of its grading and distribution activities through its joint venture Wuxi Zhong Jia American Ginseng Natural Tonics Co. Ltd. in China.

The following is a summary of the Company's proportionate share of the financial statements of these joint ventures:

	1997	1996	1995
Balance Sheet			
Current assets	**$ 2,126,028**	$ 1,887,815	$ 2,035,558
Long-term assets	**2,387,448**	1,651,815	1,032,731
Current liabilities	**2,060,537**	1,315,920	1,099,387
Long-term liabilities	**2,289,592**	1,930,971	1,947,500
Income Statement			
Revenue	**885,341**	975,802	1,423,526
Expenses	**1,050,985**	2,141,385	1,498,773
Net earnings (loss)	**(165,644)**	(1,165,583)	(75,247)
Statement of Changes in Financial Position			
Operating activities	**(484,854)**	(1,821,785)	212,609
Financing activities	**(154,175)**	1,893,775	1,947,500
Investing activities	**271,431**	(200,033)	(322,035)

11. SHARE CAPITAL

Authorized share capital consists of an unlimited number of common shares without nominal or par value.

On October 24, 1996, the Company consolidated its share capital at a rate of four shares for one new share. All references to the number of shares and per share amounts presented in these consolidated financial statements give retroactive effect to the share consolidation.

During the periods, the following changes occurred in outstanding common shares:

	Number of Shares	Amount
Balance at November 30, 1994	3,600,372	$ 14,724,163
Shares issued upon exercise of options	46,839	339,094
Balance at November 30, 1995	3,647,211	15,063,257
Shares issued as a stock dividend	103,280	381
Shares issued upon exercise of options	13,630	96,275
Shares issued upon conversion of debt	159,525	2,061,251
Balance at November 30, 1996	3,923,646	17,221,164
Shares issued as a stock dividend	97,907	98
Balance at November 30, 1997	4,021,553	$ 17,221,262

(Stated in Canadian Dollars)

12. STOCK OPTIONS AND WARRANTS

(a) Stock options

From time to time, the Company grants incentive stock options to officers, directors and employees of the Company at market related prices.

Options to purchase 375,316 shares are outstanding at November 30, 1997 as follows:

Number of Shares	Exercise Price ($)/share	Expiry Date
34,207	25.07	December 22, 1997
27,364	25.07	February 12, 1998
22,692	25.75	July 5, 1998
13,350	23.16	November 15, 1998
14,682	22.00	June 16, 1999
13,350	24.81	June 16, 1999
6,566	8.38	June 23, 2000
110,310	12.95	January 16, 2001
20,500	15.61	November 22, 2001
112,295	12.54	February 9, 2002
375,316		

Information regarding the Company's stock options for each of the periods is summarized as follows:

	Number of Shares	Exercise Price Range ($/share)
Outstanding at November 30, 1994	234,081	7.24 - 27.04
Granted	6,250	8.80
Exercised	(46,839)	7.24
Expired	(38,760)	23.12 - 26.32
Outstanding at November 30, 1995	154,732	7.24 - 27.04
Granted	114,023	13.27
Exercised	(13,630)	7.06
Expired	(21,818)	13.27 - 25.69
Adjustment for stock dividend	3,314	
Outstanding at November 30, 1996	236,621	8.59 - 26.39
Granted	135,818	11.60 - 15.61
Expired	(6,250)	11.60
Adjustment for stock dividend	9,127	
Outstanding at November 30, 1997	375,316	8.38 - 25.75

12. STOCK OPTIONS AND WARRANTS (CONTINUED)

(b) Warrants

(i) As at November 30, 1996 , 71,250 "A" share purchase warrants were outstanding entitling the holders to purchase 71,250 common shares at an exercise price of $30.00 per share. These warrants expired during the year ended November 30, 1997.

(ii) At November 30, 1996, the Company had "B" share purchase warrants outstanding entitling the holders to purchase $1,100,000 worth of common shares of the Company at $24.00 per share. The warrants expired during the year ended November 30, 1997.

(iii) During the period ending November 30, 1993, the Company issued "C" share purchase warrants entitling the holders to purchase 212,500 common shares of the Company at a price of $33.88 per share until September 16, 1997 and a price of $37.96 per share from September 17, 1997 to September 16, 1998.

(iv) During 1995, the Company issued 4,582 "E" share purchase warrants in connection with the issue of the 1995 "Series A" secured convertible debenture (Note 9(b)). Each warrant entitled the holder to acquire one common share at $11.00 USD per share until June 11, 1996. During the year ended November 30, 1996 these warrants expired.

(v) During 1996, in connection with the issuance of the senior secured notes (Note 9(b)), the Company issued 302,500 "F" share purchase warrants entitling the holder to purchase 302,500 common shares of the Company at a price of $12.80 per share until June 18, 2001. Consideration of $825,000 was allocated to the warrants and recorded as Equity Component of Convertible Debt and Warrants in Shareholders' Equity.

13. LOSS ON SALES CONTRACTS

Due to an unusually late harvest season in 1996, management decided to sell most of the Company's harvest under sales contracts using prices established on the basis of early harvest samples. During 1997, quality problems were discovered in some of the root which had been sold under these contracts. This resulted in quality claims and customer disputes and certain of these sales contracts were cancelled as a result of customers refusing to fully honor their purchase commitments. Root still in the Company's possession was repossessed under the collateral terms of the contracts.

The net loss resulting from price concessions and product repossessions has been reflected as a charge to earnings in the current period. Revenue from the sale of repossessed root was included in the current year's results.

(Stated in Canadian Dollars)

14. INCOME TAXES

The provision for income taxes (recovery) has been calculated as follows:

	1997	1996	1995
Provision for income taxes (recovery) at the Canadian statutory rate of 45.34%	$ (6,954,786)	$ 4,154,652	$ 3,682,770
Adjustments:			
Foreign tax rate differential	2,282,674	(1,280,751)	(826,269)
Other	(30,888)	185,847	243,499
Provision for income taxes (recovery)	$ (4,703,000)	$ 3,059,748	$ 3,100,000
Current income taxes	$ –	$ 106,145	$ 23,632
Deferred income taxes	(4,703,000)	2,953,603	3,076,368
Provision for income taxes (recovery)	$ (4,703,000)	$ 3,059,748	$ 3,100,000
Canada	$ (4,625,768)	$ 3,129,927	$ 3,060,086
Far East and Caribbean	(77,232)	(70,179)	39,914
Provision for income taxes(recovery)	$ (4,703,000)	$ 3,059,748	$ 3,100,000

The Company has losses for tax purposes available to reduce future taxable income. The potential future tax benefit of these losses has been reflected in these financial statements as a reduction in deferred income tax payable.

15. COMMITMENTS

(a) The Company has entered into various operating leases ending in 2000. Total payments required under these leases are as follows:

Year ended	
1998	$ 272,380
1999	197,256
2000	176,983

(b) The Company is committed to agricultural land rentals for the next five years as follows:

Year ended	
1998	$ 674,366
1999	522,702
2000	301,714
2001	227,018
2002	127,396

(Stated in Canadian Dollars)

16. SEGMENTED REPORTING

The Company operates in one industry segment and two geographic regions. Information by geographic region is summarized as follows:

Year Ended November 30, 1997	North America	Far East	Consolidated
Revenue - external	$ 823,492	$ 8,229,155	$ 9,052,647
Revenue - intercompany between regions	6,122,573	45,656	
Total revenue	$ 6,946,065	$ 8,274,811	
Net loss	$ (5,390,158)	$ (5,246,026)	$ (10,636,184)
Identifiable assets	$ 60,194,385	$ 14,040,092	$ 74,234,477
Year Ended November 30, 1996	**North America**	**Far East**	**Consolidated**
Revenue - external	$ 2,601,333	$ 31,828,314	$ 34,429,647
Revenue - intercompany between regions	20,635,309	-	
Total revenue	$ 23,236,642	$ 31,828,314	
Net earnings	$ 4,332,755	$ 1,770,824	$ 6,103,579
Identifiable assets	$ 53,871,045	$ 31,093,996	$ 84,965,041
Year Ended November 30, 1995	**North America**	**Far East**	**Consolidated**
Revenue - external	$ 2,393,328	$ 23,484,944	$ 25,878,272
Revenue - intercompany between regions	12,915,048	-	
Total revenue	$ 15,308,376	$ 23,484,944	
Net earnings	$ 3,364,255	$ 1,658,307	$ 5,022,562
Identifiable assets	$ 42,907,485	$ 27,018,349	$ 69,925,834

17. OTHER INFORMATION

(a) Cash provided from (used in) operations

A reconciliation of earnings from operations to cash provided from (used in) operations is as follows:

	1997	1996	1995
Net earnings (loss)	$ (10,636,184)	$ 6,103,579	$ 5,022,562
Items not affecting cash:			
Depreciation and amortization	782,943	645,338	370,056
Cost of ginseng crops harvested	12,727,942	10,412,276	6,346,221
Deferred income taxes	(4,703,000)	2,953,603	3,076,368
Non-controlling interests	(519,654)	189,312	157,263
Loss on equity investments	-	-	147,416
Sales of crops to Joint Venture	-	-	641,565
	$ (2,347,953)	$ 20,304,108	$ 15,761,451

(b) Changes in non-cash operating working capital items

	1997	1996	1995
Accounts receivable	$ 20,581,544	$ (14,078,580)	$ 2,031,116
Inventory	(13,134,285)	894,068	1,313,435
Ginseng crops	(5,374,163)	(4,137,409)	(3,172,725)
Prepaid and other assets	(350,561)	(408,254)	99,587
Accounts payable and accrued liabilities	2,228,328	675,147	(831,053)
Short-term borrowing	14,653	(207,680)	2,083,622
	$ 3,965,516	$ (17,262,708)	$ 1,523,982

(Stated in Canadian Dollars)

18. FINANCIAL INSTRUMENTS

The Company retroactively adopted the new Canadian accounting requirement related to the presentation of financial instruments. As a consequence, certain convertible debt and share warrants have been recorded as equity instruments under Equity Component of Convertible Debt and Warrants. The difference between the principal amount and the carrying amount is recorded as a discount to debt, which is amortized and expensed over the life of that debt. In addition, interest expense on long-term debt has been adjusted on a retroactive basis to Retained Earnings.

The following is a summary of the cumulative net effect of applying this policy to previously reported amounts:

Balance Sheet	1996
Other assets	$ (88,978)
Term debt	(254,593)
Non-controlling interests	(40,846)
Equity component of convertible debt and warrants	591,092
Retained earnings	(384,631)

Statement of Earnings	1996	1995
Interest and financing charges	$ 130,916	$ 130,916
Non-controlling interests	(12,568)	(12,568)
Net earnings	(118,348)	(118,348)

(a) Credit Risk

The Company is exposed to credit risk on accounts receivable from customers. A majority of its sales are made to a small number of customers who are concentrated in Asian markets. To manage its credit risk, the Company carefully monitors credit terms, investigates credit history and only grants credit to customers with established relationships or acceptable credit rating. Letters of credit may be used, or inventory may be held as security until payment is received, when such relationships have not been established.

(b) Exchange Risk

The Company is exposed to currency exchange risk as a result of its international markets and operations. To manage its exchange risk, the Company finances in local currencies and conducts business through self-sustaining foreign operations. The Company may hedge its U.S. dollar exposure by purchasing forward-exchange contracts to cover net receipts.

(c) Estimated fair value of Financial Instruments which differ from carrying value are:

	1997		1996	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Term debt (Note 9)				
Convertible loan	$ 6,421,525	$ 6,530,641	$ 5,947,428	$ 6,202,021
Debentures and notes payable	23,475,260	23,927,933	22,641,724	23,432,247
Land purchase loan	118,500	118,500	207,655	207,655
Capital leases	369,315	369,315	37,196	37,196
	$ 30,384,600	$ 30,946,389	$ 28,834,003	$ 29,879,119

(Stated in Canadian Dollars)

19. CONTINGENT LIABILITY

During 1995, the Company entered into a partnership, the President/Chai-Na-Ta Farms Partnership, in which it guaranteed the capital invested by the co-venturer in the event that the partnership does not have sufficient resources to make the return of capital. The Company also guaranteed a minimum rate of return of 8.5% on invested capital at the completion of the project which is anticipated to occur in 2001. The co-venturer contributed $5,625,000 of capital of which $1,875,000 has been returned to date. Subsequent to November 30, 1997, an additional $625,000 was returned to the co-venturer.

During 1995, the Company entered into a joint venture, the Skeetchestn/Chai-Na-Ta Xexe7ellp (Potent) Ginseng Joint Venture, in which the Company committed to purchase all ginseng root harvested by the joint venture at a price of $32 CDN per pound. The co-venturer's share of anticipated acres to be harvested are as follows:

Expected year of harvest	Number of acres
1999	25
2000	25
2001	36
	86

Due to uncertainty over future yields, harvest quality, and ginseng prices the financial impact, if any, of this commitment cannot be determined.

20. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) which differ in some respects from U.S. GAAP. The significant differences between Canadian and U.S. GAAP which affect the Company's financial statements are summarized below:

(a) Accounting for capitalization of interest

Under U.S. GAAP, the portion of interest relating to expenditures on ginseng crop costs would not be eligible for capitalization to ginseng crop costs. The amount would be expensed in the current year.

(b) Financial Instruments

Canadian GAAP requires the separate presentation on the balance sheet of the liability and equity components of convertible debt and warrants. These amounts are accounted for as a discount to the debt instrument, and the discount is amortized over the term of the debt.

U.S. GAAP does not permit separate presentation of these financial instruments. The amortization of debt discounts arising from recording the equity component of financial instruments would not be an eligible expense. Therefore the interest expense would be charged to earnings in accordance with the stated terms of the debenture.

(Stated in Canadian Dollars)

20. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (CONTINUED)

(c) Earnings (loss) per share

Earnings (loss) per common share is computed using the weighted average number of shares plus the common stock equivalent outstanding. Common equivalent shares are shares issuable upon the conversion of the convertible loan, notes and special warrants and incremental shares issuable upon the exercise of stock options. Common equivalent shares are excluded from the computation if their effect is antidilutive.

(d) Accounting for stock dividends

Under U.S. GAAP, the issuance of a stock dividend would be accounted for as a dividend requiring capitalization of retained earnings for the fair value of additional shares issued. The capitalization would be effected by charging retained earnings and crediting contributed surplus.

The Company has adopted Accounting Principle Board Opinion No. 25 regarding the accounting for stock option plans. Accordingly, since stock options are granted at the fair market value of the share on the day preceding the date granted there is no compensation to be recognized under U.S. GAAP.

(e) Accounting for joint ventures

U.S. GAAP requires investments in joint ventures to be accounted for using the equity method, while under Canadian GAAP, the accounts of joint ventures are proportionately consolidated. However, under rules promulgated by the Securities and Exchange Commission, a foreign registrant may, subject to the provision of additional information, continue to follow proportionate consolidation for purposes of registration and other filings, notwithstanding the departure from U.S. GAAP. Consequently, the balance sheets have not been adjusted to restate the accounting under U.S. GAAP and additional information concerning the Registrant's interests in joint ventures is presented in Note 10.

(f) Statement of cash flows

Under U.S. GAAP, changes in lines of credit and short-term borrowings are considered financing activities in the Statement of Changes in Financial Position.

Under U.S. GAAP, the conversion of debt described in Note 9(a) and the acquisition of investment described in Note 3(a) would be classified as non-cash transactions and not included in the statement of cash flows and would be reported supplementally.

(g) Recent pronouncements

(i) In February 1997, the Financial Accounting Standards Board issued Statement No. 128, Earnings per Share (SFAS 128), which establishes new standards for computing and presenting earnings per share. With SFAS 128, Primary earnings per share will be replaced by Basic earnings per share, which is computed by dividing income available to common stockholders by the weighted average number of shares outstanding for the period. In addition, SFAS 128 also requires dual presentation of Basic and Diluted earnings per share on the face of the income statement with a reconciliation of the numerator and denominator of the Basic earnings per share to that of the Diluted earnings per share. SFAS 128 will be effective for fiscal and interim periods ending after December 15, 1997. If SFAS 128 had been adopted during fiscal 1997, 1996 and 1995, Basic earnings (loss) per share would have been $(2.96), $1.46 and $1.25, respectively. FASB 128 continues to calculate diluted earnings per share as previously reported.

(Stated in Canadian Dollars)

20. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (CONTINUED)

(g) Recent pronouncements (continued)

(ii) In June 1997, the Financial Accounting Standards Board issued Statement No. 130, Reporting Comprehensive Income (FASB 130), which is required to be adopted on January 1, 1998. SFAS 130 establishes standards for the reporting and display of comprehensive income and its components in a full set of general purpose financial statements. Reclassification of financial statements for earlier periods presented is required. The impact of SFAS 130 on the Company's financial statements is not expected to be material.

(iii) In June 1997, the Financial Accounting Standards Board issued Statement No. 131, Disclosures About Segments of an Enterprise and Related Information (SFAS 131), which is required to be adopted on January 1, 1998. SFAS 131 establishes new standards for the reporting of segmented information in annual financial statements and requires the reporting of certain selected segmented information in interim reports to shareholders. The impact of SFAS 131 on the Company's financial statements is not expected to be material.

The differences between Canadian and U.S. GAAP and their effect on the Company's consolidated financial statements are summarized below:

		1997	1996	1995
Net earnings (loss) as reported under Canadian GAAP		$ (10,636,184)	$ 6,103,579	$ 5,022,562
Adjustment to reflect differences:				
Accounting for interest	(a)	(1,285,011)	(303,753)	(148,810)
Financial instruments	(b)	201,224	118,348	118,348
Net earnings (loss) under U.S. GAAP		$ (11,719,971)	$ 5,918,174	$ 4,992,100
Primary earnings (loss) per share	(c)	$ (2.91)	$ 1.31	$ 1.11
Fully diluted earnings (loss) per share	(c)	$ (2.91)	$ 1.31	$ 1.11
Weighted average number of shares	(c)	4,021,553	4,021,254	4,149,071
Cash flow from operating activities under Canadian GAAP		$ (5,607,284)	$ (2,804,648)	$ 10,693,472
Short-term borrowings		-	4,943,055	(2,083,622)
U.S. GAAP		$ (5,607,284)	$ 2,138,407	$ 8,609,850
Cash flow from financing activities under Canadian GAAP		$ 1,396,520	$ 17,732,342	$ 5,387,532
Short-term borrowing		-	(4,943,055)	2,083,622
Line of credit		1,007,710	(5,655,000)	(3,751,752)
Repayment of term debt		-	2,061,250	-
Issuance of share capital		-	(2,061,251)	-
U.S. GAAP		$ 2,404,230	$ 7,134,286	$ 3,719,402
Cash flow from investing activities under Canadian GAAP		$ (1,854,651)	$ (2,683,542)	$ (10,883,531)
Advances to Unique Formulations, Inc.		-	339,000	-
Acquisition of Unique Formulations, Inc.		-	(339,000)	-
U.S. GAAP		$ (1,854,651)	$ (2,683,542)	$ (10,883,531)

(Stated in Canadian Dollars)

20. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (CONTINUED)

		1997	1996
ASSETS			
Inventory - Canadian GAAP		$ 16,211,219	$ 3,076,934
Interest capitalized	(a)	(1,176,357)	-
Financial instruments	(b)	(53,157)	-
U.S. GAAP		$ 14,981,705	$ 3,076,934
Ginseng crops current - Canadian GAAP		$ 11,277,297	$ 7,861,831
Interest capitalized	(a)	(1,196,874)	(612,642)
Financial instruments	(b)	(60,039)	-
U.S. GAAP		$ 10,020,384	$ 7,249,189
Ginseng crops - Canadian GAAP		$ 15,867,255	$ 17,593,012
Interest capitalized	(a)	(1,885,999)	(1,295,671)
Financial instruments	(b)	(118,928)	-
U.S. GAAP		$ 13,862,328	$ 16,297,341
Other assets - Canadian GAAP		$ 2,649,705	$ 2,871,828
Financial instruments	(b)	65,396	88,978
U.S. GAAP		$ 2,715,101	$ 2,960,806
LIABILITIES			
Term debt - Canadian GAAP		$ 21,642,038	$ 28,714,671
Financial instruments	(b)	633,677	1,079,593
U.S. GAAP		$ 22,275,715	$ 29,794,264
Deferred income taxes - Canadian GAAP		$ 6,596,781	$ 11,299,781
Interest capitalized	(a)	(1,931,135)	(865,229)
U.S. GAAP		$ 4,665,646	$ 10,434,552
Non-controlling interests - Canadian GAAP		$ 74,008	$ 593,662
Financial instruments	(b)	53,414	40,846
U.S. GAAP		$ 127,422	$ 634,508
SHAREHOLDERS' EQUITY			
Contributed surplus - Canadian GAAP		$ -	$ -
Stock dividend	(c)	~~8,374,397~~	7,512,815
U.S. GAAP		$ 8,374,397	$ 7,512,815
Equity component of convertible debt and warrants			
Canadian GAAP		$ 1,416,092	$ 1,416,092
Financial instruments	(b)	(1,416,092)	(1,416,092)
U.S. GAAP		$ -	$ -
Retained earnings - Canadian GAAP		$ 9,528,191	$ 20,164,375
Interest capitalized	(a)	(2,328,095)	(1,043,084)
Financial instruments	(b)	562,273	384,631
Stock dividend	(d)	~~(8,374,397)~~	(7,512,815)
U.S. GAAP		$ (612,028)	$ 11,993,107

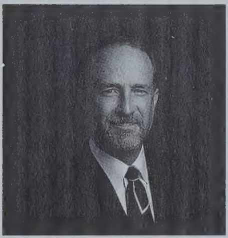
21. PRIOR YEARS' AMOUNTS

Certain of the prior years' amounts have been reclassified to conform to the current year's presentation.

MANAGEMENT

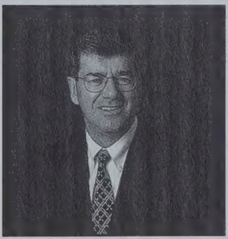
Gerry A. Gill
President and Chief Executive Officer

Mr. Gill has over 27 years of experience in corporate management and marketing. From 1990 to 1993, he was Vice-President of Chai-Na-Ta and in June of 1993, he assumed the role of President. From 1982 to 1990, he was Executive Vice-President and Chief Operating Officer of Yamashina International, a Japanese-based firm producing and marketing industrial fasteners.



Joseph S. Crowder
Vice-President of Corporate Development & Human Resources

Mr. Crowder has an extensive background in human resources and administrative management in both the private and public sectors. From 1988 to 1992, he served as Vice-Chairman at the Industrial Relations Council of B.C., now known as the Labour Relations Board.



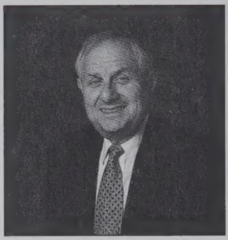
Bevan D. Jones
Vice-President of Farm Operations

Mr. Jones has over 21 years of experience in farm management and marketing. From 1986 to 1989, he was Marketing Manager of Tirol International Marketing, a firm involved in the commodity grain and seed trade.

Robert A. Miller
Vice-President of Finance and Administration, and Treasurer

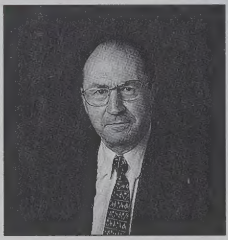
Mr. Miller is a Chartered Accountant with 16 years of financial management experience, in public and private companies. Until 1994, Mr. Miller was Director of Operations for Field's Welding & Industrial Supplies Ltd., an industrial supply distributor.

Gerry A. Gill
President, C.E.O.
Director since 1992
Vancouver, B.C.

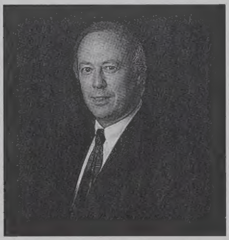


Senator Jack Austin
Director Since 1996
Vancouver, B.C.

Oksana Exell
Director since 1996
Vancouver, B.C.



Earl G. Drake
Director since 1995
Vancouver, B.C.



Carl J. Pines
Director since 1995
Vancouver, B.C.

On December 15, 1997, the Board received the resignation of Jim Abernethy, Chairman and Director; Larry Story, Director; and Murray Brandow, Director. Ken Bradley resigned on November 30, 1997. The Board thanks their former colleagues for long service and for their ongoing support.

CORPORATE INFORMATION

DIRECTORS

Senator Jack Austin
Vancouver, British Columbia

Earl G. Drake*
Vancouver, British Columbia

Oksana Exell
Vancouver, British Columbia

Gerry A. Gill*
Vancouver, British Columbia

Carl J. Pines*
Vancouver, British Columbia

**Audit Committee Member*

OFFICERS

Gerry A. Gill
President & CEO

Joseph S. Crowder
Vice-President of Corporate Development & Human Resources

Bevan D. Jones
Vice-President of Farm Operations

Robert A. Miller
Vice-President of Finance & Administration and Treasurer

STOCK LISTING

The Toronto Stock Exchange
The NASDAQ Stock Market

TRADING SYMBOLS

"CC" - TSE
"CCCFF" - NASDAQ

TRANSFER AGENT

Montreal Trust Company
510 Burrard Street
Vancouver, British Columbia
Canada V6C 3B9

LEGAL COUNSEL

Pines & McIntyre
1950 - 1177 West Hastings Street
Vancouver, British Columbia
Canada V6E 2K3

AUDITORS

Deloitte & Touche
2000 - 1055 Dunsmuir Street
Vancouver, British Columbia
Canada V7X 1P4

CORPORATE OFFICE

5965 205A Street
Langley, British Columbia
Canada V3A 8C4
Tel: (604) 533-8883
Toll Free: (800) 406-7668
Fax: (604) 533-8891

INTERNET SITE

www.chainata.com

ANNUAL GENERAL MEETING

Friday, May 8, 1998 at 2:00p.m.

The Best Western Langley Inn
5978 Glover Road
Langley, British Columbia
Canada V3A 4H9

SUBSIDIARIES & JOINT VENTURES

Chai-Na-Ta (Asia) Ltd.
St. Michaels, Barbados
Tel: (246) 437-6035
Contact: Mr. R. MacDougall - Controller

Chai-Na-Ta Corp.
Mexico Branch
Mexico 06700, D.F.
Tel: 011-525-525-7911
Contact: Mr. A. Barazza - Managing Director

Chai-Na-Ta Farms Ltd.
Kamloops, BC
Canada V2C 6C3
Tel: (250) 372-9500
Toll Free: (800) 971-3276
Contact: Mr. B. Jones - VP of Farming Operations

Dalian Pegasus Ginseng Pharmaceutical Co., Ltd.
Dalian, PR China 116013
Tel: 011-86-411-268-4856
Contact: Mr. D. Huang - President

North American Ginseng Enterprises Limited
Sheungwan, Hong Kong
Tel: 011-852-2545-2382
Contact: Mr. B. Wong - General Manager

Unique Formulations, Inc.
Portland Oregon
United States 97219
Tel: (503) 977-5052
Toll Free: (800) 636-6263
Contact: Mr. S. Wong - Manager of Sales and Marketing

Wuxi Zhong Jia American Ginseng Natural Tonics Co. Ltd.
Jiangsu, Wuxi
PR China 214026
Tel: 011-86-510-2404-552
Contact: Mr. M. Liu - General Manager